

ground that the products of this labor would come in competition with the products put upon the market by free labor.

It is now the universal custom in my State to put the convicts upon the roads. We have the taxing system there, and the convicts are employed in road building, not to the exclusion of free labor; and under this good-roads bill free labor can be employed to supplement the convict labor without any detriment whatever to the caste of those of free labor who do the work. If the amendment of the Senator from Arkansas should be agreed to, it would necessarily force us to employ them only on the roads for which the State itself had appropriated. We could not use them in conjunction with this appropriation to carry out the coordinated work that is here contemplated. It would demoralize the whole system. It would cause us not to coordinate. We could not have anything like the perfect system that could be worked out otherwise if this amendment should prevail.

I sincerely hope the amendment will be defeated. It will serve no good purpose whatever, but will create confusion.

Mr. VARDAMAN. Mr. President, I am not going to discuss this amendment. I rise simply for the purpose of expressing my regret that I was not here to vote on suspending the rules for the consideration of the amendment offered by the Senator from Idaho [Mr. BORAH]. I was called out of the Chamber on account of the illness of a friend, and was unable to be present to vote for that amendment, of which I very much approve, and I am sorry that it was not adopted.

Mr. JONES of New Mexico. Mr. President, I want to say just a word with regard to the amendment of the Senator from Arkansas [Mr. KIRBY].

New Mexico was the pioneer in this respect. As a Territory she first began in the United States the work of using convicts upon the public roads. We had quite a problem in handling our convicts. We did not know how to use them in any other way, so as not to bring them in competition with free labor; and so New Mexico first established the system of using her convicts in public road building.

I sincerely hope that the amendment of the Senator from Arkansas will not be adopted.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Arkansas [Mr. KIRBY] to the amendment of the committee. [Putting the question.] By the sound the "noes" seem to have it.

Mr. KIRBY. I should like to have a division on it, anyway. The Senate all voted for it the other day.

On a division, the amendment to the amendment was rejected.

The VICE PRESIDENT. The question now is on concurring in the amendment made as in Committee of the Whole, as amended.

The amendment as amended was concurred in.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The VICE PRESIDENT. The question is, Shall the bill pass?

Mr. FRANCE. Mr. President, as there will be no roll call on the passage of this bill, and as there are certain features of the bill which I can not bring myself to approve, I desire the RECORD to show that I voted against the bill.

The VICE PRESIDENT. The question is on the passage of the bill.

The bill was passed.

Mr. BANKHEAD. I move that the Senate request a conference with the House of Representatives on the bill and amendments, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Vice President appointed Mr. BANKHEAD, Mr. SWANSON, Mr. HARDWICK, Mr. TOWNSEND, and Mr. WEEKS conferees on the part of the Senate.

#### SECOND DEFICIENCY APPROPRIATIONS.

Mr. MARTIN of Virginia. I move that the Senate proceed to the consideration of the second deficiency bill, H. R. 15140.

The motion was agreed to; and the Senate, as in Committee of the Whole, proceeded to consider the bill (H. R. 15140) making appropriations to supply deficiencies in appropriations for the fiscal year ending June 30, 1919, and prior fiscal years, and for other purposes, which had been reported from the Committee on Appropriations with amendments.

#### RECESS.

Mr. MARTIN of Virginia. I now move that the Senate take a recess until 2.45 o'clock to-morrow afternoon. The Roosevelt memorial exercises are to take place in the Hall of the House of Representatives at 3 o'clock, and I ask that the Senate recess until 2.45 o'clock p. m.

The motion was agreed to; and (at 6 o'clock and 55 minutes p. m.) the Senate took a recess until to-morrow, Sunday, February 9, 1919, at 2.45 o'clock p. m.

## HOUSE OF REPRESENTATIVES.

SATURDAY, February 8, 1919.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Almighty and ever blessed God, whose mercy is from everlasting to everlasting, we bless Thee for that providence which has upheld, sustained, and guided us through all the past. Continue, we beseech Thee, Thy blessings unto us that we come more and more into Thy kingdom under the leadership of the world's Great Redeemer. Amen.

The Journal of the proceedings of yesterday were read and approved.

#### NATIONAL CEMETERY IN FRANCE.

Mr. FOSTER and Mr. KELLEY of Michigan rose.

The SPEAKER. For what purpose does the gentleman from Michigan [Mr. KELLEY] rise?

Mr. KELLEY of Michigan. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by inserting a letter written to the Secretary of War by one of the leading lawyers of the State of Michigan, urging the establishment of a national cemetery in France.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none.

The following is the letter referred to:

JANUARY 24, 1919.

HON. NEWTON D. BAKER,

Secretary of War, Washington, D. C.

DEAR MR. BAKER: I am informed by the Secretary to the President that a letter which I wrote to the President on December 27 has been referred to you. This letter related to the establishment in Europe of an American cemetery, wherein the soldiers of this country who died in Europe may be interred in a proper and decent manner. I am also informed that some Congressman has introduced a resolution on this subject, but I have not that resolution before me, and therefore do not know just what it is.

The idea I have in mind is this, as I think was fully stated in my letter to the President, that we ought to obtain two or three thousand acres of land somewhere in France or Belgium, preferably in France, that could be converted into a cemetery which would be large enough for all the deceased soldiers over there, and have their remains transferred there as soon as possible. While the Government has said, as I understand it, that it will cause to be shipped home the remains of such soldiers as their relatives desire to have brought home for burial, yet I am satisfied that many will feel, as did ex-President Roosevelt, that they would not prefer to have the remains brought to the United States for burial, and indeed it would be an almost impossible thing, and a gruesome one as well, to attempt to bring the remains of very many to this country after they have already been buried for several months.

If anything is to be done along this line it ought to be done promptly. Yourself and myself, as lawyers, know that we would have no right to purchase land in a foreign country even for burial purposes without some sanction by the Government of that country allowing us to do so, and a part of what we would need would be a provision by which we would have supervision of the property and the right to travel to and from it with such soldiers, servants, and agents as we might see fit to employ, and, of course, this would be a perpetual right, as the cemetery would be supposed to be perpetual. Then again, if the right were granted us by the Government of France we might have difficulty in getting title to the property that we needed or wanted, as some would perhaps refuse to sell, and others would hold us up for an excessive price, and, therefore, the only seemingly practical way would be for the French Government, or whatever country we might want to locate it in, by proper law passed, to purchase for us these lands, and, of course, would have the right to put in the act a condemnation clause where it became necessary. I would suggest that this cemetery be located not far from one of the battle fields where our boys fought so valiantly, and that the matter be taken up at once so that when spring comes we could begin transferring the remains of our boys into this cemetery. We have a large number of soldiers over there now who might be used for the purpose of aiding in this work, and I take it we could find plenty of people over there whom we could employ to assist in this work. In other words, it ought to be done quickly and before the markers which have already been put up to mark the graves have been destroyed or decay. I should judge from what I hear of the resolution which has been presented in Congress that the contemplation was to have several burying grounds. Of course, that might be necessary, but it would take legislation in other lands wherever the burying grounds were located, and it occurs to me that it would be more practical to have it all in one place, as above suggested, and the work handled along the lines as above suggested.

You probably have seen the cemetery at Chattanooga, wherein the remains of many of the Union soldiers are buried who fell on the battle fields near there. When I first saw that cemetery I was impressed with the idea that so many men were buried there when their relatives and friends lived in the same country and might have had their remains taken home for burial, but it is very certain that there would be a large number of our American boys whose remains would not be sent back to the United States; many of them have no friends who would ask to have them sent back home, as we certainly ought to honor them, as well as honor our country, by arranging for a decent burial place, and I know of no better way than the one I have suggested. I would, therefore, suggest that if the resolution already offered in Congress does not provide for one central cemetery, as above suggested, that it be amended accordingly. I am satisfied that the people of this country without exception would be pleased to have this work done, and that we would have no trouble when once it was understood throughout the country, and the matter should be carried through Congress without delay, because every Congressman would be deluged with letters if people knew this was up before them to have this carried through.

Please pardon me for taking so much of your time on this matter, but I deem it very essential and important, and, as above suggested, something ought to be done just as soon as possible. If you have any sug-

gestions of where I can help you get this through Congress by writing the Members of Congress from this State, with all of whom I am very well acquainted, I would be glad to take it up.

Respectfully, yours,

#### MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Waldorf, its enrolling clerk, announced that the Senate had passed without amendment bills of the following titles:

H. R. 12996. An act granting the consent of Congress to the Youngstown Sheet & Tube Co. to construct, maintain, and operate a bridge across the Mahoning River in the State of Ohio;

H. R. 13232. An act to extend the time for the construction of a bridge across the Red River of the North, between Traill County, N. Dak., and Polk County, Minn.;

H. R. 12997. An act granting the consent of Congress to the Youngstown Sheet & Tube Co. to construct, maintain, and operate a bridge across the Mahoning River, in the State of Ohio;

H. R. 15219. An act making appropriations for the payment of invalid and other pensions of the United States for the fiscal year ending June 30, 1920, and for other purposes;

H. R. 13273. An act to amend an act entitled "An act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department," approved September 2, 1914, and an act in amendment thereto, approved October 6, 1917; and

H. R. 1607. An act for the relief of David E. Gray.

The message also announced that the Senate had passed bill of the following title, in which the concurrence of the House of Representatives was requested:

S. 5534. An act granting the consent of Congress to Oliver Cabana, jr., Myron S. Hall, E. G. Connette, William F. MacGlashan, John H. Bradley, and M. A. Hart, to construct a bridge across Niagara River within or near the city limits of Buffalo, and for other purposes.

#### ENROLLED BILLS SIGNED.

Mr. LAZARO, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled bills of the following titles, when the Speaker signed the same:

H. R. 12996. An act granting the consent of Congress to the Youngstown Sheet & Tube Co. to construct, maintain, and operate a bridge across the Mahoning River, in the State of Ohio;

H. R. 13273. An act to amend an act entitled "An act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department," approved September 2, 1914, and an act in amendment thereto approved October 6, 1917;

H. R. 13353. An act to extend the provisions of the home-stead laws touching credit for period of enlistment to the soldiers, nurses, and officers of the Army and the seamen, marines, nurses, and officers of the Navy and the Marine Corps of the United States who have served or will have served with the Mexican border operations or during the war between the United States and Germany and her allies;

H. R. 1607. An act for the relief of David E. Gray;

H. R. 12997. An act granting the consent of Congress to the Youngstown Sheet & Tube Co. to construct, maintain, and operate a bridge across the Mahoning River, in the State of Ohio; and

H. R. 13232. An act to extend the time for the construction of a bridge across the Red River of the North, between Traill County, N. Dak., and Polk County, Minn.

#### DIGEST AND MANUAL.

Mr. FOSTER. Mr. Speaker, I present a resolution and ask unanimous consent for its consideration.

The SPEAKER. The Clerk will report the resolution.

The Clerk read as follows:

House resolution 557 (H. Doc. No. 1779).

*Resolved*, That there be printed as a House document 2,000 copies of the Digest and Manual of the Rules and Practice of the House of Representatives for the third session of the Sixty-fifth Congress, the same to be bound and distributed through the folding room.

The SPEAKER. Is there objection?

Mr. DYER. Reserving the right to object, does the gentleman propose that these be put to the credit of the Members?

Mr. FOSTER. It is proposed to distribute them through the folding room.

Mr. DYER. Is that the understanding? I know we have had trouble in the past to get even a copy.

The SPEAKER. Is there objection to the consideration of this resolution? [After a pause.] The Chair hears none.

The question is on the resolution.

The question was taken, and the resolution was agreed to.

#### E. F. KEISTER.

Mr. HASTINGS. Mr. Speaker, I present a privileged report from the Committee on Accounts, House resolution 547, to pay the clerk of the late Representative ROBBINS salary for one month.

The SPEAKER. The Clerk will report the resolution. The Clerk read as follows:

House resolution 547.

*Resolved*, That the Clerk of the House of Representatives be, and he is hereby, authorized and directed to pay, out of the contingent fund of the House, to E. F. Keister, clerk to EDWARD H. ROBBINS, a Representative from the State of Pennsylvania at the time of his death, the sum of \$166.66, being an amount equal to one month's salary of a clerk of a Representative in Congress.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

#### LINCOLN'S GETTYSBURG ADDRESS.

Mr. RUBEY. Mr. Speaker—

The SPEAKER. For what purpose does the gentleman rise?

Mr. RUBEY. I desire to submit a unanimous-consent request relating to Lincoln's birthday, and I ask to proceed for not more than one minute.

The SPEAKER. The gentleman from Missouri asks unanimous consent to proceed for one minute. Is there objection? [After a pause.] The Chair hears none.

Mr. RUBEY. Mr. Speaker, for a number of years my colleague from Missouri [Mr. RUSSELL] has read Lincoln's Gettysburg speech on Lincoln's birthday. I am sure my colleagues will all regret that this year, on account of illness, he will not be able to perform that duty. I believe the custom should be continued, and therefore I ask unanimous consent that the Speaker of the House shall designate some Member to read, after the approval of the Journal on the 12th, Lincoln's Gettysburg speech.

The SPEAKER. The gentleman asks unanimous consent that the Speaker designate somebody to read Lincoln's Gettysburg speech. Is there objection? [After a pause.] The Chair hears none. The Chair appoints the gentleman from Missouri [Mr. RUBEY].

#### HOOR OF MEETING TO-MORROW.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent that when the House adjourns to-day it adjourn to meet at 3 o'clock p. m. to-morrow.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that when the House adjourns to-day it adjourn to meet at 3 o'clock p. m. to-morrow. Is there objection? [After a pause.] The Chair hears none.

#### HOOR OF MEETING MONDAY, FEBRUARY 10.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent that when the House adjourns to-morrow it adjourn to meet at 11 o'clock a. m. on Monday, February 10.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that when the House adjourns to-morrow it adjourn to meet at 11 o'clock a. m. on Monday, February 10. Is there objection? [After a pause.] The Chair hears none.

#### THE REVENUE—CONFERENCE REPORT (NO. 1037).

Mr. KITCHIN. Mr. Speaker, I call up for consideration the conference report on the bill (H. R. 12863) to provide revenue, and for other purposes.

The SPEAKER. The Clerk will report it.

The Clerk proceeded to read the conference report.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent to dispense with the reading of the report, and ask that the statement be read in lieu thereof.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that the statement be read in lieu of the report. Is there objection? [After a pause.] The Chair hears none.

The statement was read.

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 12863) to provide revenue, and for other purposes, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 1, 5, 10, 35, 37, 38, 50, 54, 55, 58, 59, 112, 120, 121, 122, 123, 127, 131, 140, 186, 187, 189, 208, 211, 218, 222, 223, 235, 272, 273, 274, 275, 276, 329, 330, 332, 333, 352, 362, 377, 378, 379, 381, 394, 405, 407, 410, 444, 445, 488, 490, 491, 493, 498, 499, 500, 509, 516, 518, 519, 539, 540, 541, 553, 559, 587, 588, and 594.

That the House recede from its disagreement to the amendments of the Senate numbered 4, 7, 8, 9, 12, 15, 16, 17, 18, 19, 20, 22, 23, 24, 25, 29, 30, 31, 32, 33, 34, 39, 41, 42, 43, 44, 45, 46, 47, 48, 49, 51, 52, 53, 56, 57, 60, 61, 62, 64, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 78, 79, 82, 83, 84, 85, 87, 88, 89, 90, 91, 93, 97, 98, 99, 100,



101, 102, 103, 104, 106, 107, 108, 109, 110, 111, 113, 114, 115, 116, 117, 119, 124, 126, 128, 130, 132, 133, 134, 136, 137, 138, 139, 141, 142, 143, 145, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 162, 163, 164, 165, 166, 167, 168, 170, 172, 173, 174, 175, 176, 177, 178, 179, 181, 182, 183, 184, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 209, 210, 212, 213, 217, 219, 224, 225, 226, 227, 228, 229, 230, 237, 238, 239, 240, 241, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 255, 256, 258, 260, 262, 264, 265, 266, 267, 268, 269, 271, 278, 279, 280, 281, 283, 284, 286, 287, 288, 290, 291, 293, 294, 295, 296, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 326, 327, 328, 331, 334, 335, 336, 337, 338, 339, 340, 342, 343, 344, 346, 347, 348, 349, 350, 351, 353, 354, 355, 356, 358, 359, 360, 361, 363, 364, 365, 366, 370, 371, 372, 373, 374, 380, 382, 383, 384, 385, 386, 388, 389, 390, 392, 396, 398, 400, 401, 402, 403, 406, 408, 409, 411, 412, 413, 415, 416, 419, 422, 423, 427, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 447, 448, 449, 450, 451, 452, 453, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 468, 470, 471, 472, 473, 475, 476, 477, 478, 479, 481, 482, 483, 486, 487, 489, 494, 496, 497, 501, 502, 503, 504, 505, 506, 507, 508, 510, 511, 512, 513, 514, 515, 517, 520, 521, 522, 524, 525, 527, 528, 529, 530, 531, 532, 533, 534, 536, 537, 538, 543, 545, 546, 547, 549, 551, 552, 554, 555, 556, 557, 558, 560, 562, 563, 564, 565, 566, 567, 568, 570, 571, 572, 573, 574, 575, 576, 577, 579, 580, 582, 583, 584, 585, 586, 589, 590, 591, 592, and 593; and agree to the same.

Amendment numbered 2: That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment as follows: On page 1, line 5 of the bill, strike out the comma after the word "partnerships"; and the Senate agree to the same.

Amendment numbered 3: That the House recede from its disagreement to the amendment of the Senate numbered 3, and agree to the same with an amendment as follows: In lieu of the matter stricken out by said amendment insert a comma and the following: "as well as individuals"; and the Senate agree to the same.

Amendment numbered 6: That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment as follows: In lieu of the matter stricken out by said amendment insert the following: "The term 'Government contract' means (a) a contract made with the United States, or with any department, bureau, officer, commission, board, or agency, under the United States and acting in its behalf, or with any agency controlled by any of the above if the contract is for the benefit of the United States, or (b) a subcontract made with a contractor performing such a contract if the products or services to be furnished under the subcontract are for the benefit of the United States. The term 'Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive' when applied to a contract of the kind referred to in clause (a) of this paragraph, includes all such contracts which, although entered into during such period, were originally not enforceable, but which have been or may become enforceable by reason of subsequent validation in pursuance of law" and a semicolon; and the Senate agree to the same.

Amendment numbered 11: That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "The term 'personal service corporation' means a corporation whose income is to be ascribed primarily to the activities of the principal owners or stockholders who are themselves regularly engaged in the active conduct of the affairs of the corporation and in which capital (whether invested or borrowed) is not a material income-producing factor; but does not include any foreign corporation, nor any corporation 50 per cent or more of whose gross income consists either (1) of gains, profits, or income derived from trading as a principal, or (2) of gains, profits, commissions, or other income, derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive" and a semicolon; and the Senate agree to the same.

Amendment numbered 13: That the House recede from its disagreement to the amendment of the Senate numbered 13, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"The term 'paid,' for the purposes of the deductions and credits under this title, means 'paid or accrued' or 'paid or incurred,' and the terms 'paid or incurred' and 'paid or accrued' shall be construed according to the method of accounting upon the basis of which the net income is computed under section 212."

And the Senate agree to the same.

Amendment numbered 14: That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

#### "DIVIDENDS.

"SEC. 201. (a) That the term 'dividend' when used in this title (except in paragraph (10) of subdivision (a) of section 284) means (1) any distribution made by a corporation, other than a personal service corporation, to its shareholders or members, whether in cash or in other property or in stock of the corporation, out of its earnings or profits accumulated since February 28, 1913, or (2) any such distribution made by a personal service corporation out of its earnings or profits accumulated since February 28, 1913, and prior to January 1, 1918.

"(b) Any distribution shall be deemed to have been made from earnings or profits unless all earnings and profits have first been distributed. Any distribution made in the year 1918 or any year thereafter shall be deemed to have been made from earnings or profits accumulated since February 28, 1913, or, in the case of a personal service corporation, from the most recently accumulated earnings or profits; but any earnings or profits accumulated prior to March 1, 1913, may be distributed in stock dividends or otherwise, exempt from the tax, after the earnings and profits accumulated since February 28, 1913, have been distributed.

"(c) A dividend paid in stock of the corporation shall be considered income to the amount of the earnings or profits distributed. Amounts distributed in the liquidation of a corporation shall be treated as payments in exchange for stock or shares, and any gain or profit realized thereby shall be taxed to the distributee as other gains or profits.

"(d) If any stock dividend (1) is received by a taxpayer between January 1 and November 1, 1918, both dates inclusive, or (2) is during such period bona fide authorized or declared, and entered on the books of the corporation, and is received by a taxpayer after November 1, 1918, and before the expiration of 30 days after the passage of this act, then such dividend shall, in the manner provided in section 206, be taxed to the recipient at the rates prescribed by law for the years in which the corporation accumulated the earnings or profits from which such dividend was paid, but the dividend shall be deemed to have been paid from the most recently accumulated earnings or profits.

"(e) Any distribution made during the first 60 days of any taxable year shall be deemed to have been made from earnings or profits accumulated during preceding taxable years; but any distribution made during the remainder of the taxable year shall be deemed to have been made from earnings or profits accumulated between the close of the preceding taxable year and the date of distribution, to the extent of such earnings or profits, and if the books of the corporation do not show the amount of such earnings or profits, the earnings or profits for the accounting period within which the distribution was made shall be deemed to have been accumulated ratably during such period."

And the Senate agree to the same.

Amendment numbered 21: That the House recede from its disagreement to the amendment of the Senate numbered 21, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"(b) When property is exchanged for other property, the property received in exchange shall for the purpose of determining gain or loss be treated as the equivalent of cash to the amount of its fair market value, if any; but when in connection with the reorganization, merger, or consolidation of a corporation a person receives in place of stock or securities owned by him new stock or securities of no greater aggregate par or face value, no gain or loss shall be deemed to occur from the exchange, and the new stock or securities received shall be treated as taking the place of the stock, securities, or property exchanged.

"When in the case of any such reorganization, merger, or consolidation the aggregate par or face value of the new stock or securities received is in excess of the aggregate par or face value of the stock or securities exchanged, a like amount in par or face value of the new stock or securities received shall be treated as taking the place of the stock or securities exchanged, and the amount of the excess in par or face value shall be treated as a gain to the extent that the fair market value of the new stock or securities is greater than the cost (or if acquired prior to March 1, 1913, the fair market value as of that date) of the stock or securities exchanged."

And the Senate agree to the same.

Amendment numbered 26: That the House recede from its disagreement to the amendment of the Senate numbered 26, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"NET LOSSES.

"SEC. 204. (a) That as used in this section the term 'net loss' refers only to net losses resulting from either (1) the operation of any business regularly carried on by the taxpayer, or (2) the bona fide sale by the taxpayer of plant, buildings, machinery, equipment or other facilities, constructed, installed, or acquired by the taxpayer on or after April 6, 1917, for the production of articles contributing to the prosecution of the present war; and when so resulting means the excess of the deductions allowed by law (excluding in the case of corporations amounts allowed as a deduction under paragraph (6) of subdivision (a) of section 234) over the sum of the gross income plus any interest received free from taxation both under this title and under Title III.

"(b) If for any taxable year beginning after October 31, 1918, and ending prior to January 1, 1920, it appears upon the production of evidence satisfactory to the commissioner that any taxpayer has sustained a net loss, the amount of such net loss shall under regulations prescribed by the commissioner with the approval of the Secretary be deducted from the net income of the taxpayer for the preceding taxable year; and the taxes imposed by this title and by Title III for such preceding taxable year shall be redetermined accordingly. Any amount found to be due to the taxpayer upon the basis of such redetermination shall be credited or refunded to the taxpayer in accordance with the provisions of section 252. If such net loss is in excess of the net income for such preceding taxable year, the amount of such excess shall under regulations prescribed by the commissioner with the approval of the Secretary be allowed as a deduction in computing the net income for the succeeding taxable year.

"(c) The benefit of this section shall be allowed to the members of a partnership and the beneficiaries of an estate or trust under regulations prescribed by the commissioner with the approval of the Secretary."

And the Senate agree to the same.

Amendment numbered 27: That the House recede from its disagreement to the amendment of the Senate numbered 27, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"FISCAL YEAR WITH DIFFERENT RATES.

"SEC. 205. (a) That if a taxpayer makes return for a fiscal year beginning in 1917 and ending in 1918, his tax under this title for the first taxable year shall be the sum of: (1) The same proportion of a tax for the entire period computed under Title I of the revenue act of 1916 as amended by the revenue act of 1917 and under Title I of the revenue act of 1917, which the portion of such period falling within the calendar year 1917 is of the entire period, and (2) the same proportion of a tax for the entire period computed under this title at the rates for the calendar year 1918 which the portion of such period falling within the calendar year 1918 is of the entire period: *Provided*, That in the case of a personal service corporation the amount to be paid shall be only that specified in clause (1).

"Any amount heretofore or hereafter paid on account of the tax imposed for such fiscal year by Title I of the revenue act of 1916 as amended by the revenue act of 1917, and by Title I of the revenue act of 1917, shall be credited toward the payment of the tax imposed for such fiscal year by this act, and if the amount so paid exceeds the amount of such tax imposed by this act, or, in the case of a personal service corporation, the amount specified in clause (1), the excess shall be credited or refunded in accordance with the provisions of section 252.

"(b) If a taxpayer makes a return for a fiscal year beginning in 1918 and ending in 1919, the tax under this title for such fiscal year shall be the sum of: (1) the same proportion of a tax for the entire period computed under this title at the rates specified for the calendar year 1918 which the portion of such period falling within the calendar year 1918 is of the entire period, and (2) the same proportion of a tax for the entire period computed under this title at the rates specified for the calendar year 1919 which the portion of such period falling within the calendar year 1919 is of the entire period.

"(c) If a fiscal year of a partnership begins in 1917 and ends in 1918 or begins in 1918 and ends in 1919, then notwithstanding the provisions of subdivision (b) of section 218, (1) the rates for the calendar year during which such fiscal year begins shall apply to an amount of each partner's share of such partnership net income (determined under the law applicable to

such year) equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year, and (2) the rates for the calendar year during which such fiscal year ends shall apply to an amount of each partner's share of such partnership net income (determined under the law applicable to such calendar year) equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year: *Provided*, That in the case of a personal service corporation with respect to a fiscal year beginning in 1917 and ending in 1918, the amount specified in clause (1) shall not be subject to normal tax."

And the Senate agree to the same.

Amendment numbered 28: That the House recede from its disagreement to the amendment of the Senate numbered 28, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"PARTS OF INCOME SUBJECT TO RATES FOR DIFFERENT YEARS.

"SEC. 206. That whenever parts of a taxpayer's income are subject to rates for different calendar years, the part subject to the rates for the most recent calendar year shall be placed in the lower brackets of the rate schedule provided in this title, the part subject to the rates for the next preceding calendar year shall be placed in the next higher brackets of the rate schedule applicable to that year, and so on until the entire net income has been accounted for. In determining the income, any deductions, exemptions or credits of a kind not plainly and properly chargeable against the income taxable at rates for a preceding year shall first be applied against the income subject to rates for the most recent calendar year; but any balance thereof shall be applied against the income subject to the rates of the next preceding year or years until fully allowed."

And the Senate agree to the same.

Amendment numbered 36: That the House recede from its disagreement to the amendment of the Senate numbered 36, and agree to the same with an amendment as follows: In lieu of the matter stricken out by said amendment insert the following inclosed in parentheses: "including in the case of the President of the United States, the judges of the Supreme and inferior courts of the United States, and all other officers and employees, whether elected or appointed, of the United States, Alaska, Hawaii, or any political subdivision thereof, or the District of Columbia, the compensation received as such"; and the Senate agree to the same.

Amendment numbered 40: That the House recede from its disagreement to the amendment of the Senate numbered 40, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "possessions; or (d) bonds issued by the War Finance Corporation: *Provided*, That every person owning any of the obligations, securities or bonds enumerated in clauses (a), (b), (c) and (d) shall, in the return required by this title, submit a statement showing the number and amount of such obligations, securities and bonds owned by him and the income received therefrom, in such form and with such information as the commissioner may require"; and the Senate agree to the same.

Amendment numbered 63: That the House recede from its disagreement to the amendment of the Senate numbered 63, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "or (e) in the case of a nonresident alien individual, by the authority of any foreign country (except income, war-profits and excess-profits taxes, and taxes assessed against local benefits of a kind tending to increase the value of the property assessed), upon property or business" and a semicolon; and on page 17, line 5, of the bill, after the matter inserted by Senate amendment numbered 81, insert a comma and the following: "and clause (e) of paragraph (3)" and a comma; and the Senate agree to the same.

Amendment numbered 65: That the House recede from its disagreement to the amendment of the Senate numbered 65, and agree to the same with an amendment as follows: Omit the matter inserted by said amendment and restore the matter stricken out by said amendment, and, on page 14, line 19 of the bill, after "business," insert a comma and the following: "including a reasonable allowance for obsolescence"; and the Senate agree to the same.

Amendment numbered 77: That the House recede from its disagreement to the amendment of the Senate numbered 77, and agree to the same with an amendment as follows: On page 20, line 3, of the Senate engrossed amendments strike out "12 months" and insert "30 days"; and the Senate agree to the same.



Amendment numbered 80: That the House recede from its disagreement to the amendment of the Senate numbered 80, and agree to the same with an amendment as follows:

"(12) (a) At the time of filing return for the taxable year 1918 a taxpayer may file a claim in abatement based on the fact that he has sustained a substantial loss (whether or not actually realized by sale or other disposition) resulting from any material reduction (not due to temporary fluctuation) of the value of the inventory for such taxable year, or from the actual payment after the close of such taxable year of rebates in pursuance of contracts entered into during such year upon sales made during such year. In such case payment of the amount of the tax covered by such claim shall not be required until the claim is decided, but the taxpayer shall accompany his claim with a bond in double the amount of the tax covered by the claim, with sureties satisfactory to the commissioner, conditioned for the payment of any part of such tax found to be due, with interest. If any part of such claim is disallowed, then the remainder of the tax due shall on notice and demand by the collector be paid by the taxpayer with interest at the rate of 1 per cent per month from the time the tax would have been due had no such claim been filed. If it is shown to the satisfaction of the commissioner that such substantial loss has been sustained, then in computing the tax imposed by this title the amount of such loss shall be deducted from the net income. (b) If no such claim is filed, but it is shown to the satisfaction of the commissioner that during the taxable year 1919 the taxpayer has sustained a substantial loss of the character above described, then the amount of such loss shall be deducted from the net income for the taxable year 1918 and the tax imposed by this title for such year shall be redetermined accordingly. Any amount found to be due to the taxpayer upon the basis of such redetermination shall be credited or refunded to the taxpayer in accordance with the provisions of section 252."

And the Senate agree to the same.

Amendment numbered 81: That the House recede from its disagreement to the amendment of the Senate numbered 81, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "(10), (12)"; and the Senate agree to the same.

Amendment numbered 86: That the House recede from its disagreement to the amendment of the Senate numbered 86, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert a comma and the following: "and amounts received as dividends from a personal service corporation out of earnings or profits upon which income tax has been imposed by act of Congress"; and the Senate agree to the same.

Amendment numbered 92: That the House recede from its disagreement to the amendment of the Senate numbered 92, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"(e) Personal service corporations shall not be subject to taxation under this title, but the individual stockholders thereof shall be taxed in the same manner as the members of partnerships. All the provisions of this title relating to partnerships and the members thereof shall so far as practicable apply to personal service corporations and the stockholders thereof: *Provided*, That for the purpose of this subdivision amounts distributed by a personal service corporation during its taxable year shall be accounted for by the distributees; and any portion of the net income remaining undistributed at the close of its taxable year shall be accounted for by the stockholders of such corporation at the close of its taxable year in proportion to their respective shares."

And the Senate agree to the same.

Amendment numbered 94: That the House recede from its disagreement to the amendment of the Senate numbered 94, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "212, except that there shall also be allowed as a deduction (in lieu of the deduction authorized by paragraph (11) of subdivision (a) of sec. 214) any part of the gross income which, pursuant to the terms of the will or deed creating the trust, is during the taxable year paid to or permanently set aside for the United States, any State, Territory, or any political subdivision thereof, or the District of Columbia, or any corporation organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual"; and the Senate agree to the same.

Amendment numbered 95: That the House recede from its disagreement to the amendment of the Senate numbered 95, and agree to the same with an amendment as follows: On page 23,

line 10, of the Senate engrossed amendments after "administration" insert "or settlement"; and the Senate agree to the same.

Amendment numbered 96: That the House recede from its disagreement to the amendment of the Senate numbered 96, and agree to the same with an amendment as follows: On page 23, line 14, of the Senate engrossed amendments strike out "or" and insert "of"; and the Senate agree to the same.

Amendment numbered 105: That the House recede from its disagreement to the amendment of the Senate numbered 105, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "distributed, such corporation shall not be subject to the tax imposed by section 230, but the stockholders or members thereof shall be subject to taxation under this title in the same manner as provided in subdivision (e) of section 218 in the case of stockholders of a personal service corporation, except that the tax imposed by Title III shall be deducted from the net income of the corporation before the computation of the proportionate share of each stockholder or member"; and the Senate agree to the same.

Amendment numbered 118: That the House recede from its disagreement to the amendment of the Senate numbered 118, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"CREDIT FOR TAXES.

"SEC. 222. (a) That the tax computed under Part II of this title shall be credited with:

"(1) In the case of a citizen of the United States, the amount of any income, war-profits and excess-profits taxes paid during the taxable year to any foreign country, upon income derived from sources therein, or to any possession of the United States; and

"(2) In the case of a resident of the United States, the amount of any such taxes paid during the taxable year to any possession of the United States; and

"(3) In the case of an alien resident of the United States who is a citizen or subject of a foreign country, the amount of any such taxes paid during the taxable year to such country, upon income derived from sources therein, if such country, in imposing such taxes allows a similar credit to citizens of the United States residing in such country; and

"(4) In the case of any such individual who is a member of a partnership or a beneficiary of an estate or trust, his proportionate share of such taxes of the partnership or the estate or trust paid during the taxable year to a foreign country or to any possession of the United States, as the case may be.

"(b) If accrued taxes when paid differ from the amounts claimed as credits by the taxpayer, or if any tax paid is refunded in whole or in part, the taxpayer shall notify the commissioner who shall redetermine the amount of the tax due under Part II of this title for the year or years affected, and the amount of tax due upon such redetermination, if any, shall be paid by the taxpayer upon notice and demand by the collector, or the amount of tax overpaid, if any, shall be credited or refunded to the taxpayer in accordance with the provisions of section 252. In the case of such a tax accrued but not paid, the commissioner as a condition precedent to the allowance of this credit may require the taxpayer to give a bond with sureties satisfactory to and to be approved by the commissioner in such penal sum as the commissioner may require, conditioned for the payment by the taxpayer of any amount of tax found due upon any such redetermination; and the bond herein prescribed shall contain such further conditions as the commissioner may require.

"(c) These credits shall be allowed only if the taxpayer furnishes evidence satisfactory to the commissioner showing the amount of income derived from sources within such foreign country or such possession of the United States, and all other information necessary for the computation of such credits."

And the Senate agree to the same.

Amendment numbered 125: That the House recede from its disagreement to the amendment of the Senate numbered 125, and agree to the same with an amendment as follows: In lieu of the matter stricken out by said amendment insert the following: "Except in the case of taxpayers who are abroad, no such extension shall be for more than six months"; and the Senate agree to the same.

Amendment numbered 129: That the House recede from its disagreement to the amendment of the Senate numbered 129, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"(1) For the calendar year 1918, 12 per cent of the amount of the net income in excess of the credits provided in section 236; and

"(2) For each calendar year thereafter, 10 per cent of such excess amount.

"(b) For the purposes of the act approved March 21, 1918, entitled 'An act to provide for the operation of transportation systems while under Federal control, for the just compensation of their owners, and for other purposes,' five-sixths of the tax imposed by paragraph (1) of subdivision (a) and four-fifths of the tax imposed by paragraph (2) of subdivision (a) shall be treated as levied by an act in amendment of Title I of the revenue act of 1917."

And the Senate agree to the same.

Amendment numbered 135: That the House recede from its disagreement to the amendment of the Senate numbered 135, and agree to the same with an amendment as follows: In lieu of the matter stricken out by said amendment insert a comma and the following: "except that:

"(1) In the case of life insurance companies there shall not be included in gross income such portion of any actual premium received from any individual policyholder as is paid back or credited to or treated as an abatement of premium of such policyholder within the taxable year.

"(2) Mutual marine insurance companies shall include in gross income the gross premiums collected and received by them less amounts paid for reinsurance."

And the Senate agree to the same.

Amendment numbered 144: That the House recede from its disagreement to the amendment of the Senate numbered 144, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "238; or (e) in the case of a foreign corporation, by the authority of any foreign country (except income, war-profits and excess-profits taxes, and taxes assessed against local benefits of a kind tending to increase the value of the property assessed), upon the property or business"; and on page 40 of the bill, lines 22 and 23, strike out "paragraphs (2) and (3)" and insert "paragraph (2) and in clauses (a), (b), and (c) of paragraph (3)"; and the Senate agree to the same.

Amendment numbered 146: That the House recede from its disagreement to the amendment of the Senate numbered 146, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert a comma and the following: "and amounts received as dividends from a personal service corporation out of earnings or profits upon which income tax has been imposed by act of Congress"; and the Senate agree to the same.

Amendment numbered 147: That the House recede from its disagreement to the amendment of the Senate numbered 147, and agree to the same with an amendment as follows: Omit the matter inserted by said amendment and restore the matter stricken out by said amendment, and on page 37, line 24, of the bill, after "business," insert a comma and the following: "including a reasonable allowance for obsolescence"; and the Senate agree to the same.

Amendment numbered 159: That the House recede from its disagreement to the amendment of the Senate numbered 159, and agree to the same with an amendment as follows: On page 33, line 9, of the Senate engrossed amendments, strike out "12 months" and insert "30 days"; and the Senate agree to the same.

Amendment numbered 160: That the House recede from its disagreement to the amendment of the Senate numbered 160, and agree to the same with an amendment as follows: In lieu of the matter stricken out by said amendment insert the following:

"(10) In the case of insurance companies, in addition to the above: (a) The net addition required by law to be made within the taxable year to reserve funds (including in the case of assessment insurance companies the actual deposit of sums with State or Territorial officers pursuant to law as additions to guarantee or reserve funds); and (b) the sums other than dividends paid within the taxable year on policy and annuity contracts;

"(11) In the case of corporations issuing policies covering life, health, and accident insurance combined in one policy issued on the weekly premium payment plan continuing for life and not subject to cancellation, in addition to the above, such portion of the net addition (not required by law) made within the taxable year to reserve funds as the commissioner finds to be required for the protection of the holders of such policies only;

"(12) In the case of mutual marine insurance companies, there shall be allowed, in addition to the deductions allowed in paragraphs (1) to (10), inclusive, amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment and the payment thereof;

"(13) In the case of mutual insurance companies (other than mutual life or mutual marine insurance companies) requiring

their members to make premium deposits to provide for losses and expenses, there shall be allowed, in addition to the deductions allowed in paragraphs (1) to (10), inclusive, (unless otherwise allowed under such paragraphs) the amount of premium deposits returned to their policyholders and the amount of premium deposits retained for the payment of losses, expenses, and reinsurance reserves and a semicolon."

And the Senate agree to the same.

Amendment numbered 161: That the House recede from its disagreement to the amendment of the Senate numbered 161, and agree to the same with an amendment as follows:

"(14) (a) At the time of filing return for the taxable year 1918 a taxpayer may file a claim in abatement based on the fact that he has sustained a substantial loss (whether or not actually realized by sale or other disposition) resulting from any material reduction (not due to temporary fluctuation) of the value of the inventory for such taxable year, or from the actual payment after the close of such taxable year of rebates in pursuance of contracts entered into during such year upon sales made during such year. In such case payment of the amount of the tax covered by such claim shall not be required until the claim is decided, but the taxpayer shall accompany his claim with a bond in double the amount of the tax covered by the claim, with sureties satisfactory to the commissioner, conditioned for the payment of any part of such tax found to be due, with interest. If any part of such claim is disallowed then the remainder of the tax due shall on notice and demand by the collector be paid by the taxpayer with interest at the rate of 1 per cent per month from the time the tax would have been due had no such claim been filed. If it is shown to the satisfaction of the commissioner that such substantial loss has been sustained, then in computing the taxes imposed by this title and by Title III the amount of such loss shall be deducted from the net income. (b) If no such claim is filed, but it is shown to the satisfaction of the commissioner that during the taxable year 1919 the taxpayer has sustained a substantial loss of the character above described then the amount of such loss shall be deducted from the net income for the taxable year 1918 and the taxes imposed by this title and by Title III for such year shall be redetermined accordingly. Any amount found to be due to the taxpayer upon the basis of such redetermination shall be credited or refunded to the taxpayer in accordance with the provisions of section 252."

And the Senate agree to the same.

Amendment numbered 169: That the House recede from its disagreement to the amendment of the Senate numbered 169, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "in computing the tax as provided in subdivision (a) of section 205, the tax computed for the entire period under Title II of the revenue act of 1917 shall be credited against the net income computed for the entire period under Title I of the revenue act of 1916 as amended by the revenue act of 1917 and under Title I of the revenue act of 1917, and the tax computed for the entire period under Title III of this act at the rates prescribed for the calendar year 1918 shall be credited against the net income computed for the entire period under this title; and"; and the Senate agree to the same.

Amendment numbered 171: That the House recede from its disagreement to the amendment of the Senate numbered 171, and agree to the same with an amendment as follows: In lieu of the figure "8" inserted by said amendment insert the figures "10"; and the Senate agree to the same.

Amendment numbered 180: That the House recede from its disagreement to the amendment of the Senate numbered 180, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"(c) If a domestic corporation makes a return for a fiscal year beginning in 1917 and ending in 1918, only that proportion of this credit shall be allowed which the part of such period within the calendar year 1918 bears to the entire period."

And on page 42 of the bill, after line 20, insert the following new paragraph:

"If accrued taxes when paid differ from the amounts claimed as credits by the corporation, or if any tax paid is refunded in whole or in part, the corporation shall at once notify the commissioner who shall redetermine the amount of the taxes due under this title and under Title III for the year or years affected, and the amount of taxes due upon such redetermination, if any, shall be paid by the corporation upon notice and demand by the collector, or the amount of taxes overpaid, if any, shall be credited or refunded to the corporation in accordance with the provisions of section 252. In the case of such a tax accrued but not paid, the commissioner as a condition precedent to the allowance of this credit may require the corporation to give a bond



with sureties satisfactory to and to be approved by him in such penal sum as he may require, conditioned for the payment by the taxpayer of any amount of taxes found due upon any such redetermination; and the bond herein prescribed shall contain such further conditions as the commissioner may require."

And on page 42 of the bill, line 21, at the beginning of the line, insert the letter "b" in parentheses.

And the Senate agree to the same.

Amendment numbered 185: That the House recede from its disagreement to the amendment of the Senate numbered 185, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"CONSOLIDATED RETURNS.

"SEC. 240. (a) That corporations which are affiliated within the meaning of this section shall, under regulations to be prescribed by the commissioner with the approval of the Secretary, make a consolidated return of net income and invested capital for the purposes of this title and Title III, and the taxes thereunder shall be computed and determined upon the basis of such return: *Provided*, That there shall be taken out of such consolidated net income and invested capital, the net income and invested capital of any such affiliated corporation organized after August 1, 1914, and not successor to a then existing business, 50 per cent or more of whose gross income consists of gains, profits, commissions, or other income, derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive. In such case the corporation so taken out shall be separately assessed on the basis of its own invested capital and net income and the remainder of such affiliated group shall be assessed on the basis of the remaining consolidated invested capital and net income.

"In any case in which a tax is assessed upon the basis of a consolidated return, the total tax shall be computed in the first instance as a unit and shall then be assessed upon the respective affiliated corporations in such proportions as may be agreed upon among them, or, in the absence of any such agreement, then on the basis of the net income properly assignable to each. There shall be allowed in computing the income tax only one specific credit of \$2,000 (as provided in section 236); in computing the war-profits credit (as provided in section 311) only one specific exemption of \$3,000; and in computing the excess-profits credit (as provided in section 312) only one specific exemption of \$3,000.

"(b) For the purpose of this section two or more domestic corporations shall be deemed to be affiliated (1) if one corporation owns directly or controls through closely affiliated interests or by a nominee or nominees substantially all the stock of the other or others, or (2) if substantially all the stock of two or more corporations is owned or controlled by the same interests.

"(c) For the purposes of section 238 a domestic corporation which owns a majority of the voting stock of a foreign corporation shall be deemed to have paid the same proportion of any income, war-profits and excess-profits taxes paid (but not including taxes accrued) by such foreign corporation during the taxable year to any foreign country or to any possession of the United States upon income derived from sources without the United States, which the amount of any dividends (not deductible under section 234) received by such domestic corporation from such foreign corporation during the taxable year bears to the total taxable income of such foreign corporation upon or with respect to which such taxes were paid: *Provided*, That in no such case shall the amount of the credit for such taxes exceed the amount of such dividends (not deductible under section 234) received by such domestic corporation during the taxable year."

And the Senate agree to the same.

Amendment numbered 188: That the House recede from its disagreement to the amendment of the Senate numbered 188, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"SEC. 250. (a) That except as otherwise provided in this section and sections 221 and 237 the tax shall be paid in four installments, each consisting of one-fourth of the total amount of the tax. The first installment shall be paid at the time fixed by law for filing the return, and the second installment shall be paid on the fifteenth day of the third month, the third installment on the fifteenth day of the sixth month, and the fourth installment on the fifteenth day of the ninth month, after the time fixed by law for filing the return. Where an extension of time for filing a return is granted the time for payment of the first installment shall be postponed until the date of the expiration of the period of the extension, but the time for payment of the other installments shall not be postponed unless the commissioner so provides in granting the extension. In any case in which the time for the payment of any installment is at the request of the taxpayer thus postponed, there shall be added

as part of such installment interest thereon at the rate of one-half of 1 per cent per month from the time it would have been due if no extension had been granted, until paid. If any installment is not paid when due, the whole amount of the tax unpaid shall become due and payable upon notice and demand by the collector."

And the Senate agree to the same.

Amendment numbered 214: That the House recede from its disagreement to the amendment of the Senate numbered 214, and agree to the same with an amendment as follows: In lieu of the matter stricken out by said amendment insert the following: "imposing an income tax"; and the Senate agree to the same.

Amendment numbered 215: That the House recede from its disagreement to the amendment of the Senate numbered 215, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert a colon and the following: "*Provided further*, That all bona fide stockholders of record owning 1 per cent or more of the outstanding stock of any corporation shall, upon making request of the commissioner, be allowed to examine the annual income returns of such corporation and of its subsidiaries. Any stockholder who pursuant to the provisions of this section is allowed to examine the return of any corporation, and who makes known in any manner whatever not provided by law the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any such return, shall be guilty of a misdemeanor and be punished by a fine not exceeding \$1,000, or by imprisonment not exceeding one year, or both"; and the Senate agree to the same.

Amendment numbered 216: That the House recede from its disagreement to the amendment of the Senate numbered 216, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "in such manner as he may determine, in the office of the collector in each internal revenue district and in such other places as he may determine, lists"; and the Senate agree to the same.

Amendment numbered 220: That the House recede from its disagreement to the amendment of the Senate numbered 220, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"CITIZENS OF THE UNITED STATES POSSESSIONS.

"SEC. 260. That any individual who is a citizen of any possession of the United States (but not otherwise a citizen of the United States) and who is not a resident of the United States, shall be subject to taxation under this title only as to income derived from sources within the United States, and in such case the tax shall be computed and paid in the same manner and subject to the same conditions as in the case of other persons who are taxable only as to income derived from such sources."

And the Senate agree to the same.

Amendment numbered 221: That the House recede from its disagreement to the amendment of the Senate numbered 221, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"PORTO RICO AND PHILIPPINE ISLANDS.

"SEC. 261. That in Porto Rico and the Philippine Islands the income tax shall be levied, assessed, collected, and paid in accordance with the provisions of the revenue act of 1916 as amended.

"Returns shall be made and taxes shall be paid under Title I of such act in Porto Rico or the Philippine Islands, as the case may be, by (1) every individual who is a citizen or resident of Porto Rico or the Philippine Islands or derives income from sources therein, and (2) every corporation created or organized in Porto Rico or the Philippine Islands or deriving income from sources therein. An individual who is neither a citizen nor a resident of Porto Rico or the Philippine Islands but derives income from sources therein, shall be taxed in Porto Rico or the Philippine Islands as a nonresident alien individual, and a corporation created or organized outside Porto Rico or the Philippine Islands and deriving income from sources therein shall be taxed in Porto Rico or the Philippine Islands as a foreign corporation. For the purposes of section 216 and of paragraph (6) of subdivision (a) of section 234 a tax imposed in Porto Rico or the Philippine Islands upon the net income of a corporation shall not be deemed to be a tax under this title.

"The Porto Rican or Philippine Legislature shall have power by due enactment to amend, alter, modify, or repeal the income tax laws in force in Porto Rico or the Philippine Islands, respectively."

And the Senate agree to the same.

Amendment numbered 231: That the House recede from its disagreement to the amendment of the Senate numbered 231,

and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "equal to the sum of the following:

"FIRST BRACKET.

"30 per cent of the amount of the net income in excess of the excess-profits credit (determined under section 312) and not in excess of 20 per cent of the invested capital;

"SECOND BRACKET.

"65 per cent of the amount of the net income in excess of 20 per cent of the invested capital;

"THIRD BRACKET.

"The sum, if any, by which 80 per cent of the amount of the net income in excess of the war-profits credit (determined under section 311) exceeds the amount of the tax computed under the first and second brackets.

"(b) For the taxable year 1919 and each taxable year thereafter there shall be levied, collected, and paid upon the net income of every corporation (except corporations taxable under subdivision (c) of this section) a tax equal to the sum of the following:

"FIRST BRACKET.

"20 per cent of the amount of the net income in excess of the excess-profits credit (determined under section 312) and not in excess of 20 per cent of the invested capital;

"SECOND BRACKET.

"40 per cent of the amount of the net income in excess of 20 per cent of the invested capital.

"(c) For the taxable year 1919 and each taxable year thereafter there shall be levied, collected, and paid upon the net income of every corporation which derives in such year a net income of more than \$10,000 from any Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive, a sum equal to the sum of the following:

"(1) Such a portion of a tax computed at the rates specified in subdivision (a) as the part of the net income attributable to such Government contract or contracts bears to the entire net income. In computing such tax the excess-profits credit and the war-profits credit applicable to the taxable year shall be used;

"(2) Such a portion of a tax computed at the rates specified in subdivision (b) as the part of the net income not attributable to such Government contract or contracts bears to the entire net income.

"For the purpose of determining the part of the net income attributable to such Government contract or contracts, the proper apportionment and allocation of the deductions with respect to gross income derived from such Government contract or contracts and from other sources, respectively, shall be determined under rules and regulations prescribed by the commissioner with the approval of the Secretary.

"(d) In any case where the full amount of the excess-profits credit is not allowed under the first bracket of subdivision (a) or (b), by reason of the fact that such credit is in excess of 20 per cent of the invested capital, the part not so allowed shall be deducted from the amount in the second bracket.

"(e) For the purposes of the act approved March 21, 1918, entitled 'An act to provide for the operation of transportation systems while under Federal control, for the just compensation of their owners, and for other purposes,' the tax imposed by this title shall be treated as levied by an act in amendment of Title II of the revenue act of 1917."

And the Senate agree to the same.

Amendment numbered 232: That the House recede from its disagreement to the amendment of the Senate numbered 232, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "the tax imposed by subdivision (a) of section 301 shall in no case be more than 30 per cent of the amount of the net income in excess of \$3,000 and not in excess of \$20,000, plus 80 per cent of the amount of the net income in excess of \$20,000; the tax imposed by subdivision (b) of section 301 shall in no case be more than 20 per cent of the amount of the net income in excess of \$3,000 and not in excess of \$20,000, plus 40 per cent of the amount of the net income in excess of \$20,000; and the above limitations shall apply to the taxes computed under subdivisions (a) and (b) of section 301, respectively, when used in subdivision (c) of that section. Nothing in this section shall be construed in such manner as to increase the tax imposed by section 301"; and the Senate agree to the same.

Amendment number 233: That the House recede from its disagreement to the amendment of the Senate numbered 233, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"SEC. 303. That if part of the net income of a corporation is derived (1) from a trade or business (or a branch of a trade or business) in which the employment of capital is necessary, and (2) a part (constituting not less than 30 per cent of its total net income) is derived from a separate trade or business (or a distinctly separate branch of the trade or business) which if constituting the sole trade or business would bring it within the class of 'personal service corporations,' then (under regulations prescribed by the commissioner with the approval of the Secretary) the tax upon the first part of such net income shall be separately computed (allowing in such computation only the same proportionate part of the credits authorized in sections 311 and 312), and the tax upon the second part shall be the same percentage thereof as the tax so computed upon the first part is of such first part: *Provided*, That the tax upon such second part shall in no case be less than 20 per cent thereof, unless the tax upon the entire net income, if computed without benefit of this section, would constitute less than 20 per cent of such entire net income, in which event the tax shall be determined upon the entire net income, without reference to this section, as other taxes are determined under this title. The total tax computed under this section shall be subject to the limitations provided in section 302."

And the Senate agree to the same.

Amendment numbered 234: That the House recede from its disagreement to the amendment of the Senate numbered 234, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "Any corporation whose net income for the taxable year is less than \$3,000 shall be exempt from taxation under this title"; and the Senate agree to the same.

Amendment numbered 236: That the House recede from its disagreement to the amendment of the Senate numbered 236, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"(c) In the case of any corporation engaged in the mining of gold, the portion of the net income derived from the mining of gold shall be exempt from the tax imposed by this title, and the tax on the remaining portion of the net income shall be the proportion of a tax computed without the benefit of this subdivision which such remaining portion of the net income bears to the entire net income."

And the Senate agree to the same.

Amendment numbered 242: That the House recede from its disagreement to the amendment of the Senate numbered 242, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"(c) If the corporation was not in existence during the whole of at least one calendar year during the prewar period, then, except as provided in subdivision (d), the war-profits credit shall be the sum of:

"(1) A specific exemption of \$3,000; and

"(2) An amount equal to the same percentage of the invested capital of the taxpayer for the taxable year as the average percentage of net income to invested capital, for the prewar period, of corporations engaged in a trade or business of the same general class as that conducted by the taxpayer; but such amount shall in no case be less than 10 per cent of the invested capital of the taxpayer for the taxable year. Such average percentage shall be determined by the commissioner on the basis of data contained in returns made under Title II of the revenue act of 1917, and the average known as the median shall be used. If such average percentage has not been determined and published at least 30 days prior to the time when the return of the taxpayer is due, then for purposes of such return 10 per cent shall be used in lieu thereof; but such average percentage when determined shall be used for the purposes of section 250 in determining the correct amount of the tax.

"(d) The war-profits credit shall be determined in the manner provided in subdivision (b) instead of in the manner provided in subdivision (c), in the case of any corporation which was not in existence during the whole of at least one calendar year during the prewar period, if (1) a majority of its stock at any time during the taxable year is owned or controlled, directly or indirectly, by a corporation which was in existence during the whole of at least one calendar year during the prewar period, or if (2) 50 per cent or more of its gross income (as computed under section 233 for income tax purposes) consists of gains, profits, commissions, or other income, derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive."

And the Senate agree to the same.

Amendment numbered 243: That the House recede from its disagreement to the amendment of the Senate numbered 243, and agree to the same with an amendment as follows: In lieu



of the matter inserted by said amendment insert: "e" in parentheses; and the Senate agree to the same.

Amendment numbered 254: That the House recede from its disagreement to the amendment of the Senate numbered 254, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "therefor, unless the actual cash value of such tangible property at the time paid in is shown to the satisfaction of the Commissioner to have been clearly and substantially in excess of such par value, in which case such excess shall be treated as paid-in surplus: *Provided*, That the commissioner shall keep a record of all cases in which tangible property is included in invested capital at a value in excess of the stock or shares issued therefor, containing the name and address of each taxpayer, the business in which engaged, the amount of invested capital and net income shown by the return, the value of the tangible property at the time paid in, the par value of the stock or shares specifically issued therefor, and the amount included under this paragraph as paid-in surplus. The commissioner shall furnish a copy of such record and other detailed information with respect to such cases when required by resolution of either House of Congress, without regard to the restrictions contained in section 257"; and the Senate agree to the same.

Amendment numbered 257: That the House recede from its disagreement to the amendment of the Senate numbered 257, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "25"; and the Senate agree to the same.

Amendment numbered 259: That the House recede from its disagreement to the amendment of the Senate numbered 259, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "25." And on page 62, line 14, of the bill, after the word "lowest," insert a colon and the following: "*Provided*, That in no case shall the total amount included under paragraphs (4) and (5) exceed in the aggregate 25 per cent of the par value of the total stock or shares of the corporation outstanding at the beginning of the taxable year"; and the Senate agree to the same.

Amendment numbered 261: That the House recede from its disagreement to the amendment of the Senate numbered 261, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "a percentage thereof equal to the percentage which the amount of inadmissible assets is of the amount of admissible and inadmissible assets held during the taxable year"; and the Senate agree to the same.

Amendment numbered 263: That the House recede from its disagreement to the amendment of the Senate numbered 263, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"That in the following cases the tax shall be determined as provided in section 328:

"(a) Where the commissioner is unable to determine the invested capital as provided in section 326;

"(b) In the case of a foreign corporation;

"(c) Where a mixed aggregate of tangible property and intangible property has been paid in for stock or for stock and bonds and the commissioner is unable satisfactorily to determine the respective values of the several classes of property at the time of payment, or to distinguish the classes of property paid in for stock and for bonds, respectively;

"(d) Where upon application by the corporation the commissioner finds and so declares of record that the tax if determined without benefit of this section would, owing to abnormal conditions affecting the capital or income of the corporation, work upon the corporation an exceptional hardship evidenced by gross disproportion between the tax computed without benefit of this section and the tax computed by reference to the representative corporations specified in section 328. This subdivision shall not apply to any case (1) in which the tax (computed without benefit of this section) is high merely because the corporation earned within the taxable year a high rate of profit upon a normal invested capital, nor (2) in which 50 per cent or more of the gross income of the corporation for the taxable year (computed under section 233 of Title II) consists of gains, profits, commissions, or other income derived on a cost-plus basis from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.

"Sec. 328. (a) In the cases specified in section 327 the tax shall be the amount which bears the same ratio to the net income of the taxpayer (in excess of the specific exemption of \$3,000) for the taxable year, as the average tax of representative corporations engaged in a like or similar trade or business, bears to their average net income (in excess of the specific exemption of \$3,000) for such year. In the case of a foreign corporation

the tax shall be computed without deducting the specific exemption of \$3,000 either for the taxpayer or the representative corporations.

"In computing the tax under this section."

And on page 65 of the bill, after line 16, insert the following: "In cases in which the tax is to be computed under this section, if the tax as computed without the benefit of this section is less than 50 per cent of the net income of the taxpayer, the installments shall in the first instance be computed upon the basis of such tax; but if the tax so computed is 50 per cent or more of the net income, the installments shall in the first instance be computed upon the basis of a tax equal to 50 per cent of the net income. In any case, the actual ratio when ascertained shall be used in determining the correct amount of the tax. If the correct amount of the tax when determined exceeds 50 per cent of the net income, any excess of the correct installments over the amounts actually paid shall on notice and demand be paid together with interest at the rate of one-half of 1 per cent per month on such excess from the time the installment was due."

And the Senate agree to the same.

Amendment numbered 270: That the House recede from its disagreement to the amendment of the Senate numbered 270 and agree to the same with an amendment as follows: On page 65 of the bill, lines 22 and 23, strike out "section" and insert "subdivision"; and the Senate agree to the same.

Amendment numbered 277: That the House recede from its disagreement to the amendment of the Senate numbered 277, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"If such predecessor trade or business was carried on by a partnership or individual, the net income for the prewar period shall, under regulations prescribed by the commissioner with the approval of the Secretary, be ascertained and returned as nearly as may be upon the same basis and in the same manner as provided for corporations in Title II, including a reasonable deduction for salary or compensation to each partner or the individual for personal services actually rendered.

"In the case of the organization as a corporation before July 1, 1919, of any trade or business in which capital is a material income-producing factor and which was previously owned by a partnership or individual, the net income of such trade or business from January 1, 1918, to the date of such reorganization may at the option of the individual or partnership be taxed as the net income of a corporation is taxed under Titles II and III; in which event the net income and invested capital of such trade or business shall be computed as if such corporation had been in existence on and after January 1, 1918, and the undistributed profits or earnings of such trade or business shall not be subject to the surtax imposed in section 211, but amounts distributed on or after January 1, 1918, from the earnings of such trade or business shall be taxed to the recipients as dividends, and all the provisions of Titles II and III relating to corporations shall so far as practicable apply to such trade or business: *Provided*, That this paragraph shall not apply to any trade or business the net income of which for the taxable year 1918 was less than 20 per cent of its invested capital for such year: *Provided further*, That any taxpayer who takes advantage of this paragraph shall pay the tax imposed by section 1000 of this act and by the first subdivision of section 407 of the revenue act of 1916, as if such taxpayer had been a corporation on and after January 1, 1918, with a capital stock having no par value.

"If any asset of the trade or business in existence both during the taxable year and any prewar year is included in the invested capital for the taxable year but is not included in the invested capital for such prewar year, or is valued on a different basis in computing the invested capital for the taxable year and such prewar year, respectively, then under rules and regulations to be prescribed by the commissioner with the approval of the Secretary such readjustments shall be made as are necessary to place the computation of the invested capital for such prewar year on the basis employed in determining the invested capital for the taxable year."

And the Senate agree to the same.

Amendment numbered 282: That the House recede from its disagreement to the amendment of the Senate numbered 282, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment, insert a colon and the following:

"*Provided*, That if such previous owner was not a corporation, then the value of any asset so transferred or received shall be taken at its cost of acquisition (at the date when acquired by such previous owner) with proper allowance for depreciation, impairment, betterment, or development, but no addition to the original cost shall be made for any charge or ex-

penditure deducted as expense or otherwise on or after March 1, 1913, in computing the net income of such previous owner for purposes of taxation."

And the Senate agree to the same.

Amendment numbered 285: That the House recede from its disagreement to the amendment of the Senate numbered 285, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"(1) the same proportion of a tax for the entire period computed under Title II of the revenue act of 1917 which the portion of such period falling within the calendar year 1917 is of the entire period, and (2) the same proportion of a tax for the entire period computed under this title at the rates specified in subdivision (a) of section 301 which the portion of such period falling within the calendar year 1918 is of the entire period. Any amount heretofore or hereafter paid on account of the tax imposed for such fiscal year by Title II of the revenue act of 1917 shall be credited toward the payment of the tax imposed for such fiscal year by this title, and if the amount so paid exceeds the amount of the tax imposed by this title, the excess shall be credited or refunded to the corporation in accordance with the provisions of section 252.

"(b) If a corporation makes return for a fiscal year beginning in 1918 and ending in 1919, the tax for such fiscal year under this title shall be the sum of (1) the same proportion of a tax for the entire period computed under subdivision (a) of section 301 which the portion of such period falling within the calendar year 1918 is of the entire period, and (2) the same proportion of a tax for the entire period computed under subdivision (b) or (c) of section 301 which the portion of such period falling within the calendar year 1919 is of the entire period.

"(c) If a partnership or a personal service corporation makes return for a fiscal year beginning in 1917 and ending in 1918, it shall pay the same proportion of a tax for the entire period computed under Title II of the revenue act of 1917 which the portion of such period falling within the calendar year 1917 is of the entire period.

"Any tax paid by a partnership or personal service corporation for any period beginning on or after January 1, 1918, shall be immediately refunded to the partnership or corporation as a tax erroneously or illegally collected."

And on page 67, line 5, of the bill, after "corporation" insert the following inclosed in parentheses: "other than a personal service corporation."

And the Senate agree to the same.

Amendment numbered 289: That the House recede from its disagreement to the amendment of the Senate numbered 289, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

#### TITLE IV.—ESTATE TAX.

"SEC. 400. That when used in this title—

"The term 'executor' means the executor or administrator of the decedent, or, if there is no executor or administrator, any person who takes possession of any property of the decedent; and

"The term 'collector' means the collector of internal revenue of the district in which was the domicile of the decedent at the time of his death, or, if there was no such domicile in the United States, then the collector of the district in which is situated the part of the gross estate of the decedent in the United States, or, if such part of the gross estate is situated in more than one district, then the collector of internal revenue of such district as may be designated by the commissioner.

"SEC. 401. That (in lieu of the tax imposed by Title II of the revenue act of 1916, as amended, and in lieu of the tax imposed by Title IX of the revenue act of 1917) a tax equal to the sum of the following percentages of the value of the net estate (determined as provided in section 403) is hereby imposed upon the transfer of the net estate of every decedent dying after the passage of this act, whether a resident or nonresident of the United States:

"1 per cent of the amount of the net estate not in excess of \$50,000;

"2 per cent of the amount by which the net estate exceeds \$50,000 and does not exceed \$150,000;

"3 per cent of the amount by which the net estate exceeds \$150,000 and does not exceed \$250,000;

"4 per cent of the amount by which the net estate exceeds \$250,000 and does not exceed \$450,000;

"6 per cent of the amount by which the net estate exceeds \$450,000 and does not exceed \$750,000;

"8 per cent of the amount by which the net estate exceeds \$750,000 and does not exceed \$1,000,000;

"10 per cent of the amount by which the net estate exceeds \$1,000,000 and does not exceed \$1,500,000;

"12 per cent of the amount by which the net estate exceeds \$1,500,000 and does not exceed \$2,000,000;

"14 per cent of the amount by which the net estate exceeds \$2,000,000 and does not exceed \$3,000,000;

"16 per cent of the amount by which the net estate exceeds \$3,000,000 and does not exceed \$4,000,000;

"18 per cent of the amount by which the net estate exceeds \$4,000,000 and does not exceed \$5,000,000;

"20 per cent of the amount by which the net estate exceeds \$5,000,000 and does not exceed \$8,000,000;

"22 per cent of the amount by which the net estate exceeds \$8,000,000 and does not exceed \$10,000,000; and

"25 per cent of the amount by which the net estate exceeds \$10,000,000.

"The taxes imposed by this title or by Title II of the revenue act of 1916 (as amended by the act entitled 'An act to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes,' approved Mar. 3, 1917) or by Title IX of the revenue act of 1917, shall not apply to the transfer of the net estate of any decedent who has died or may die while serving in the military or naval forces of the United States in the present war or from injuries received or disease contracted while in such service, and any such tax collected upon such transfer shall be refunded to the executor.

"SEC. 402. That the value of the gross estate of the decedent shall be determined by including the value at the time of his death of all property, real or personal, tangible or intangible, wherever situated—

"(a) To the extent of the interest therein of the decedent at the time of his death which after his death is subject to the payment of the charges against his estate and the expenses of its administration and is subject to distribution as part of his estate;

"(b) To the extent of any interest therein of the surviving spouse, existing at the time of the decedent's death as dower, courtesy, or by virtue of a statute creating an estate in lieu of dower or courtesy;

"(c) To the extent of any interest therein of which the decedent has at any time made a transfer, or with respect to which he has at any time created a trust, in contemplation of or intended to take effect in possession or enjoyment at or after his death (whether such transfer or trust is made or created before or after the passage of this act), except in case of a bona fide sale for a fair consideration in money or money's worth. Any transfer of a material part of his property in the nature of a final disposition or distribution thereof, made by the decedent within two years prior to his death without such a consideration, shall, unless shown to the contrary, be deemed to have been made in contemplation of death within the meaning of this title;

"(d) To the extent of the interest therein held jointly or as tenants in the entirety by the decedent and any other person, or deposited in banks or other institutions in their joint names and payable to either or the survivor, except such part thereof as may be shown to have originally belonged to such other person and never to have belonged to the decedent;

"(e) To the extent of any property passing under a general power of appointment exercised by the decedent (1) by will, or (2) by deed executed in contemplation of, or intended to take effect in possession or enjoyment at or after, his death, except in case of a bona fide sale for a fair consideration in money or money's worth; and

"(f) To the extent of the amount receivable by the executor as insurance under policies taken out by the decedent upon his own life; and to the extent of the excess over \$40,000 of the amount receivable by all other beneficiaries as insurance under policies taken out by the decedent upon his own life.

"SEC. 403. That for the purpose of the tax the value of the net estate shall be determined—

"(a) In the case of a resident, by deducting from the value of the gross estate—

"(1) Such amounts for funeral expenses, administration expenses, claims against the estate, unpaid mortgages, losses incurred during the settlement of the estate arising from fires, storms, shipwreck, or other casualty, or from theft, when such losses are not compensated for by insurance or otherwise, and such amounts reasonably required and actually expended for the support during the settlement of the estate of those dependent upon the decedent, as are allowed by the laws of the jurisdiction, whether within or without the United States, under which the estate is being administered, but not including any income taxes upon income received after the death of the decedent, or any estate, succession, legacy, or inheritance taxes;

"(2) An amount equal to the value at the time of the decedent's death of any property, real, personal, or mixed, which can be



identified as having been received by the decedent as a share in the estate of any person who died within five years prior to the death of the decedent, or which can be identified as having been acquired by the decedent in exchange for property so received, if an estate tax under the revenue act of 1917 or under this act was collected from such estate, and if such property as included in the decedent's gross estate;

"(3) The amount of all bequests, legacies, devises, or gifts, to or for the use of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, for exclusively public purposes, or to or for the use of any corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees exclusively for such religious, charitable, scientific, literary, or educational purposes. This deduction shall be made in case of the estates of all decedents who have died since December 31, 1917; and

"(4) An exemption of \$50,000;

"(b) In the case of a nonresident, by deducting from the value of that part of his gross estate which at the time of his death is situated in the United States—

"(1) That proportion of the deductions specified in paragraph (1) of subdivision (a) of this section which the value of such part bears to the value of his entire gross estate, wherever situated, but in no case shall the amount so deducted exceed 10 per cent of the value of that part of his gross estate which at the time of his death is situated in the United States;

"(2) An amount equal to the value at the time of the decedent's death of any property, real, personal, or mixed, which can be identified as having been received by the decedent as a share in the estate of any person who died within five years prior to the death of the decedent, or which can be identified as having been acquired by the decedent in exchange for property so received, if an estate tax under the revenue act of 1917 or under this act was collected from such estate, and if such property is included in that part of the decedent's gross estate which at the time of his death is situated in the United States; and

"(3) The amount of all bequests, legacies, devises, or gifts, to or for the use of the United States, any State, Territory, any political subdivision thereof, or the District of Columbia, for exclusively public purposes, or to or for the use of any domestic corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, including the encouragement of art and the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual, or to a trustee or trustees exclusively for such religious, charitable, scientific, literary, or educational purposes within the United States. This deduction shall be made in case of the estates of all decedents who have died since December 31, 1917; and

"No deduction shall be allowed in the case of a nonresident unless the executor includes in the return required to be filed under section 404 the value at the time of his death of that part of the gross estate of the nonresident not situated in the United States.

"For the purpose of this title stock in a domestic corporation owned and held by a nonresident decedent, and the amount receivable as insurance upon the life of a nonresident decedent where the insurer is a domestic corporation, shall be deemed property within the United States, and any property of which the decedent has made a transfer or with respect to which he has created a trust, within the meaning of subdivision (c) of section 402, shall be deemed to be situated in the United States, if so situated either at the time of the transfer or the creation of the trust, or at the time of the decedent's death.

"In the case of any estate in respect to which the tax under existing law has been paid, if necessary to allow the benefit of the deduction under paragraph (3) of subdivision (a) or (b) the tax shall be redetermined and any excess of tax paid shall be refunded to the executor.

"SEC. 404. That the executor, within 60 days after qualifying as such, or after coming into possession of any property of the decedent, whichever event first occurs, shall give written notice thereof to the collector. The executor shall also, at such times and in such manner as may be required by regulations made pursuant to law, file with the collector a return under oath in duplicate, setting forth (a) the value of the gross estate of the decedent at the time of his death, or, in case of a nonresident, of that part of his gross estate situated in the United States; (b) the deductions allowed under section 403; (c) the value of the net estate of the decedent as defined in section

403; and (d) the tax paid or payable thereon; or such part of such information as may at the time be ascertainable and such supplemental data as may be necessary to establish the correct tax.

"Return shall be made in all cases where the gross estate at the death of the decedent exceeds \$50,000, and in the case of the estate of every nonresident any part of whose gross estate is situated in the United States. If the executor is unable to make a complete return as to any part of the gross estate of the decedent, he shall include in his return a description of such part and the name of every person holding a legal or beneficial interest therein, and upon notice from the collector such person shall in like manner make a return as to such part of the gross estate. The commissioner shall make all assessments of the tax under the authority of existing administrative special and general provisions of law relating to the assessment and collection of taxes.

"SEC. 405. That if no administration is granted upon the estate of a decedent, or if no return is filed as provided in section 404, or if a return contains a false or incorrect statement of a material fact, the collector or deputy collector shall make a return and the commissioner shall assess the tax thereon.

"SEC. 406. That the tax shall be due one year after the decedent's death; but in any case where the commissioner finds that payment of the tax within one year after the decedent's death would impose undue hardship upon the estate he may grant an extension of time for the payment of the tax for a period not to exceed three years from the due date. If the tax is not paid within one year and 180 days after the decedent's death, interest at the rate of 6 per cent per annum from the expiration of one year after the decedent's death shall be added as part of the tax.

"SEC. 407. That the executor shall pay the tax to the collector or deputy collector. If the amount of the tax can not be determined, the payment of a sum of money sufficient, in the opinion of the collector, to discharge the tax shall be deemed payment in full of the tax, except as in this section otherwise provided. If the amount so paid exceeds the amount of the tax as finally determined, the commissioner shall refund such excess to the executor. If the amount of the tax as finally determined exceeds the amount so paid, the collector shall notify the executor of the amount of such excess and demand payment thereof. If such excess part of the tax is not paid within 30 days after such notification, interest shall be added thereto at the rate of 10 per cent per annum from the expiration of such 30 days' period until paid, and the amount of such excess shall be a lien upon the entire gross estate, except such part thereof as may have been sold to a bona fide purchaser for a fair consideration in money or money's worth.

"The collector shall grant to the person paying the tax duplicate receipts, either of which shall be sufficient evidence of such payment and shall entitle the executor to be credited and allowed the amount thereof by any court having jurisdiction to audit or settle his accounts.

"SEC. 408. That if the tax herein imposed is not paid within 180 days after it is due, the collector shall, unless there is reasonable cause for further delay, proceed to collect the tax under the provisions of general law or commence appropriate proceedings in any court of the United States, in the name of the United States, to subject the property of the decedent to be sold under the judgment or decree of the court. From the proceeds of such sale the amount of the tax, together with the costs and expenses of every description to be allowed by the court, shall be first paid, and the balance shall be deposited according to the order of the court to be paid under its direction to the person entitled thereto.

"If the tax or any part thereof is paid by, or collected out of that part of the estate passing to or in the possession of, any person other than the executor in his capacity as such, such person shall be entitled to reimbursement out of any part of the estate still undistributed or by a just and equitable contribution by the persons whose interest in the estate of the decedent would have been reduced if the tax had been paid before the distribution of the estate or whose interest is subject to equal or prior liability for the payment of taxes, debts, or other charges against the estate, it being the purpose and intent of this title that so far as is practicable and unless otherwise directed by the will of the decedent the tax shall be paid out of the estate before its distribution. If any part of the gross estate consists of proceeds of policies of insurance upon the life of the decedent receivable by a beneficiary other than the executor, the executor shall be entitled to recover from such beneficiary such portion of the total tax paid as the proceeds, in excess of \$40,000, of such policies bear to the net estate. If there is more than one



such beneficiary, the executor shall be entitled to recover from such beneficiaries in the same ratio.

"Sec. 409. That unless the tax is sooner paid in full, it shall be a lien for 10 years upon the gross estate of the decedent, except that such part of the gross estate as is used for the payment of charges against the estate and expenses of its administration, allowed by any court having jurisdiction thereof, shall be divested of such lien. If the commissioner is satisfied that the tax liability of an estate has been fully discharged or provided for, he may, under regulations prescribed by him with the approval of the Secretary, issue his certificate releasing any or all property of such estate from the lien herein imposed.

"If (a) the decedent makes a transfer of, or creates a trust with respect to, any property in contemplation of or intended to take effect in possession or enjoyment at or after his death (except in the case of a bona fide sale for a fair consideration in money or money's worth) or (b) if insurance passes under a contract executed by the decedent in favor of a specific beneficiary, and if in either case the tax in respect thereto is not paid when due, then the transferee, trustee, or beneficiary shall be personally liable for such tax, and such property, to the extent of the decedent's interest therein at the time of such transfer, or to the extent of such beneficiary's interest under such contract of insurance, shall be subject to a like lien equal to the amount of such tax. Any part of such property sold by such transferee or trustee to a bona fide purchaser for a fair consideration in money or money's worth shall be divested of the lien and a like lien shall then attach to all the property of such transferee or trustee, except any part sold to a bona fide purchaser for a fair consideration in money or money's worth.

"Sec. 410. That whoever knowingly makes any false statement in any notice or return required to be filed under this title shall be liable to a penalty of not exceeding \$5,000, or imprisonment not exceeding one year, or both.

"Whoever fails to comply with any duty imposed upon him by section 404, or, having in his possession or control any record, file, or paper, containing or supposed to contain any information concerning the estate of the decedent, or, having in his possession or control any property comprised in the gross estate of the decedent, fails to exhibit the same upon request to the commissioner or any collector or law officer of the United States, or his duly authorized deputy or agent, who desires to examine the same in the performance of his duties under this title, shall be liable to a penalty of not exceeding \$500, to be recovered, with costs of suit, in a civil action in the name of the United States."

And the Senate agree to the same.

Amendment numbered 292: That the House recede from its disagreement to the amendment of the Senate numbered 292, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert a colon and the following:

"Provided, That where such water transportation lines are in competition between American ports with foreign water transportation lines from adjacent foreign ports, the tax imposed under this subdivision on amounts paid for water transportation between American ports shall not exceed the amount of the transportation tax to which such foreign water transportation lines are subjected by their government corresponding to this tax."

And the Senate agree to the same.

Amendment numbered 297: That the House recede from its disagreement to the amendment of the Senate numbered 297, and agree to the same with an amendment as follows: Omit the matter inserted by said amendment and restore the matter stricken out by said amendment and at the end thereof insert the following new paragraph:

"The tax shall, without assessment by the commissioner or notice from the collector, be due and payable to the collector at the time so fixed for filing the return. If the tax is not paid when due, there shall be added as part of the tax a penalty of 5 per cent, together with interest at the rate of 1 per cent for each full month, from the time when the tax became due."

And on page 85, line 19 of the bill, strike out "November 1, 1918" and insert "April 1, 1919."

And on page 86, line 16 of the bill, insert after "policy" a colon and the following:

"And provided further, That on all policies covering life, health, and accident insurance combined in one policy by which a life is insured not in excess of \$500, issued on the industrial, or weekly or monthly payment plan of insurance, the tax shall be 40 per cent of the amount of the first weekly premium or 20 per cent of the amount of the first monthly premium, as the case may be."

And the Senate agree to the same.

Amendment numbered 312: That the House recede from its disagreement to the amendment of the Senate numbered 312, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "of \$3.20 (if intended for sale for beverage purposes or for use in the manufacture or production of any article used or intended for use as a beverage) on each proof gallon, and a proportionate tax at a like rate on all fractional parts of such proof gallon"; and the Senate agree to the same.

Amendment numbered 325: That the House recede from its disagreement to the amendment of the Senate numbered 325, and agree to the same with an amendment as follows: On page 92, line 9, of the Senate engrossed amendments strike out "of fermentation"; and the Senate agree to the same.

Amendment numbered 341: That the House recede from its disagreement to the amendment of the Senate numbered 341, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "\$6"; and the Senate agree to the same.

Amendment numbered 345: That the House recede from its disagreement to the amendment of the Senate numbered 345, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "\$3"; and the Senate agree to the same.

Amendment numbered 357: That the House recede from its disagreement to the amendment of the Senate numbered 357, and agree to the same with an amendment as follows: On page 95, line 14, of the Senate engrossed amendment strike out "of" and insert "entitled 'An act to provide revenue, equalize duties, and encourage the industries of the United States, and for other purposes,' approved"; and the Senate agree to the same.

Amendment numbered 367: That the House recede from its disagreement to the amendment of the Senate numbered 367, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "1½ cents"; and the Senate agree to the same.

Amendment numbered 368: That the House recede from its disagreement to the amendment of the Senate numbered 368, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert a comma and the following: "societies for the prevention of cruelty to children or animals, or exclusively to the benefit of organizations conducted for the sole purpose of maintaining symphony orchestras and receiving substantial support from voluntary contributions, none of the profits of which are distributed to members of such organizations"; and the Senate agree to the same.

Amendment numbered 369: That the House recede from its disagreement to the amendment of the Senate numbered 369, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "April 1, 1919" and a comma; and the Senate agree to the same.

Amendment numbered 375: That the House recede from its disagreement to the amendment of the Senate numbered 375, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "Automobile trucks and automobile wagons (including tires, inner tubes, parts, and accessories therefor, sold on or in connection therewith or with the sale thereof)" and a comma, and on page 127, line 7, of the bill, strike out the figure "5" and insert the figure "3"; and the Senate agree to the same.

Amendment numbered 376: That the House recede from its disagreement to the amendment of the Senate numbered 376, and agree to the same with an amendment as follows: In lieu of the matter stricken out by said amendment insert the following: "Other automobiles and motorcycles (including tires, inner tubes, parts, and accessories therefor, sold on or in connection therewith or with the sale thereof), except tractors, 5 per cent" and a semicolon; and the Senate agree to the same.

Amendment numbered 387: That the House recede from its disagreement to the amendment of the Senate numbered 387, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the figure "5" in parentheses; and the Senate agree to the same.

Amendment numbered 391: That the House recede from its disagreement to the amendment of the Senate numbered 391, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the figure "6" in parentheses; and the Senate agree to the same.

Amendment numbered 393: That the House recede from its disagreement to the amendment of the Senate numbered 393, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the figure "7" in parentheses; and the Senate agree to the same.

Amendment numbered 395: That the House recede from its disagreement to the amendment of the Senate numbered 395,



and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the figure "8" in parentheses; and the Senate agree to the same.

Amendment numbered 397: That the House recede from its disagreement to the amendment of the Senate numbered 397, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the figure "9" in parentheses; and the Senate agree to the same.

Amendment numbered 399: That the House recede from its disagreement to the amendment of the Senate numbered 399, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the figures "10" in parentheses; and the Senate agree to the same.

Amendment numbered 404: That the House recede from its disagreement to the amendment of the Senate numbered 404, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "(11) Hunting and bowie knives, 10 per centum" and a semicolon; and the Senate agree to the same.

Amendment numbered 414: That the House recede from its disagreement to the amendment of the Senate numbered 414, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "15" in parentheses; and the Senate agree to the same.

Amendment numbered 417: That the House recede from its disagreement to the amendment of the Senate numbered 417, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "16" in parentheses, and the Senate agree to the same.

Amendment numbered 418: That the House recede from its disagreement to the amendment of the Senate numbered 418, and agree to the same with an amendment as follows: On page 129, line 13, of the bill strike out the words "weighing or" and on page 129, line 14 of the bill, after the word "centum" insert a comma and the following: "and automatic slot-device weighing machines, 10 per centum"; and the Senate agree to the same.

Amendment numbered 420: That the House recede from its disagreement to the amendment of the Senate numbered 420, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "17" in parentheses; and the Senate agree to the same.

Amendment numbered 421: That the House recede from its disagreement to the amendment of the Senate numbered 421, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "18" in parentheses; and the Senate agree to the same.

Amendment numbered 424: That the House recede from its disagreement to the amendment of the Senate numbered 424, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "(19) Articles made of fur on the hide or pelt, or of which any such fur is the component material of chief value, 10 per centum" and a semicolon; and the Senate agree to the same.

Amendment numbered 425: That the House recede from its disagreement to the amendment of the Senate numbered 425, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "20" in parentheses; and the Senate agree to the same.

Amendment numbered 426: That the House recede from its disagreement to the amendment of the Senate numbered 426, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "not designed for trade, fishing, or national defense"; and the Senate agree to the same.

Amendment numbered 428: That the House recede from its disagreement to the amendment of the Senate numbered 428, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "21" in parentheses; and the Senate agree to the same.

Amendment numbered 446: That the House recede from its disagreement to the amendment of the Senate numbered 446, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "This section shall not apply to the sale of any such article to an educational institution or public art museum"; and the Senate agree to the same.

Amendment numbered 454: That the House recede from its disagreement to the amendment of the Senate numbered 454, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "by or for a dealer or his estate"; and the Senate agree to the same.

Amendment numbered 467: That the House recede from its disagreement to the amendment of the Senate numbered 467,

and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "or (2) to any article made of fur on the hide or pelt, or of which any such fur is the component material of chief value" and a comma; and the Senate agree to the same.

Amendment numbered 469: That the House recede from its disagreement to the amendment of the Senate numbered 469, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "(17) or (18)"; and the Senate agree to the same.

Amendment numbered 474: That the House recede from its disagreement to the amendment of the Senate numbered 474, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "by or for a dealer or his estate"; and the Senate agree to the same.

Amendment numbered 480: That the House recede from its disagreement to the amendment of the Senate numbered 480, and agree to the same with an amendment as follows: On page 180 of the bill, after line 2, insert the following: "(6) This section shall not apply to any tax imposed by section 906"; and the Senate agree to the same.

Amendment numbered 484: That the House recede from its disagreement to the amendment of the Senate numbered 484, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following: "by or for a dealer or his estate"; and the Senate agree to the same.

Amendment numbered 485: That the House recede from its disagreement to the amendment of the Senate numbered 485, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert a colon and the following:

"Provided, That the provisions of this section shall not apply to the sale of vaccines and bacterines which are not advertised to the general lay public, nor to the sale by a physician in personal attendance upon a patient of medicinal preparations not so advertised."

And the Senate agree to the same.

Amendment numbered 492: That the House recede from its disagreement to the amendment of the Senate numbered 492, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert a period and the following: "The taxes imposed by this section shall apply to mutual insurance companies, and in the case of every such domestic company the tax shall be equivalent to \$1 for each \$1,000 of the excess over \$5,000 of the sum of its surplus or contingent reserves maintained for the general use of the business and any reserves the net additions to which are included in net income under the provisions of Title II, as of the close of the preceding accounting period used by such company for purposes of making its income tax return: *Provided*, That in the case of a foreign mutual insurance company the tax shall be equivalent to \$1 for each \$1,000 of the same proportion of the sum of such surplus and reserves, which the reserve fund upon business transacted within the United States is of the total reserve upon all business transacted, as of the close of the preceding accounting period used by such company for purposes of making its income tax return"; and the Senate agree to the same.

Amendment numbered 495: That the House recede from its disagreement to the amendment of the Senate numbered 495, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the figures "\$50"; and the Senate agree to the same.

Amendment numbered 523: That the House recede from its disagreement to the amendment of the Senate numbered 523, and agree to the same with an amendment as follows: On page 129 of the bill, at the end of line 14 and before the semicolon inserted by Senate amendment numbered 419, insert the following: "in the case of a vending machine, and 10 per cent of its fair market value in the case of a weighing machine"; and the Senate agree to the same.

Amendment numbered 526: That the House recede from its disagreement to the amendment of the Senate numbered 526, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "or before July 1 of each year"; and the Senate agree to the same.

Amendment numbered 535: That the House recede from its disagreement to the amendment of the Senate numbered 535, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"Sec. 1007. That section 6 of such act of December 17, 1914, is hereby amended to read as follows:

"Sec. 6. That the provisions of this act shall not be construed to apply to the manufacture, sale, distribution, giving

away, dispensing, or possession of preparations and remedies which do not contain more than 2 grains of opium, or more than one-fourth of a grain of morphine, or more than one-eighth of a grain of heroin, or more than 1 grain of codeine, or any salt or derivative of any of them in 1 fluid ounce, or, if a solid or semi-solid preparation, in 1 avoirdupois ounce; or to liniments, ointments, or other preparations which are prepared for external use only, except liniments, ointments, and other preparations which contain cocaine or any of its salts or alpha or beta eucaine or any of their salts or any synthetic substitute for them: *Provided*, That such remedies and preparations are manufactured, sold, distributed, given away, dispensed, or possessed as medicines and not for the purpose of evading the intentions and provisions of this act: *Provided further*, That any manufacturer, producer, compounder, or vendor (including dispensing physicians) of the preparations and remedies mentioned in this section shall keep a record of all sales, exchanges, or gifts of such preparations and remedies in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall direct. Such record shall be preserved for a period of two years in such a way as to be readily accessible to inspection by any officer, agent, or employee of the Treasury Department duly authorized for that purpose, and the State, Territorial, District, municipal, and insular officers named in section 5 of this act, and every such person so possessing or disposing of such preparations and remedies shall register as required in section 1 of this act, and, if he is not paying a tax under this act, he shall pay a special tax of \$1 for each year, or fractional part thereof, in which he is engaged in such occupation, to the collector of internal revenue of the district in which he carries on such occupation as provided in this act. The provisions of this act as amended shall not apply to decalcinized coca leaves or preparations made therefrom, or to other preparations of coca leaves which do not contain cocaine?

And the Senate agree to the same.

Amendment numbered 542: That the House recede from its disagreement to the amendment of the Senate numbered 542, and agree to the same with an amendment as follows: In lieu of the matter stricken out by said amendment insert a colon and the following: "*Provided*, That where a premium is charged for the issuance, execution, renewal or continuance of such bond the tax shall be 1 cent on each dollar or fractional part thereof of the premium charged: *Provided further*, That policies of reinsurance shall be exempt from the tax imposed by this subdivision;" and the Senate agree to the same.

Amendment numbered 544: That the House recede from its disagreement to the amendment of the Senate numbered 544, and agree to the same with an amendment as follows: On page 118, line 1, of the Senate engrossed amendments strike out "5" and insert "3"; and on page 85, line 24, of the bill, before the comma insert the following inclosed in parenthesis: "except those taxable under subdivision 15 of Schedule A of Title XI"; and the Senate agree to the same.

Amendment numbered 548: That the House recede from its disagreement to the amendment of the Senate numbered 548, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "furniture" and a comma; and the Senate agree to the same.

Amendment numbered 550: That the House recede from its disagreement to the amendment of the Senate numbered 550, and agree to the same with an amendment as follows: Omit the matter inserted by said amendment and on page 173, after line 9 of the bill, insert the following:

"(d) (1) There is hereby created a board to be known as the 'Advisory Tax Board,' hereinafter called the board, and to be composed of not to exceed six members to be appointed by the commissioner with the approval of the Secretary. The board shall cease to exist at the expiration of two years after the passage of this act, or at such earlier time as the commissioner with the approval of the Secretary may designate.

"Vacancies in the membership of the board shall be filled in the same manner as an original appointment. Any member shall be subject to removal by the commissioner with the approval of the Secretary. The commissioner with the approval of the Secretary shall designate the chairman of the board. Each member shall receive an annual salary of \$9,000, payable monthly, together with actual necessary expenses when absent from the District of Columbia on official business.

"(2) The commissioner may, and on the request of any taxpayer directly interested shall, submit to the board any question relating to the interpretation or administration of the income, war-profits or excess-profits tax laws, and the board shall report its findings and recommendations to the commissioner.

"(3) The board shall have its office in the Bureau of Internal Revenue in the District of Columbia. The expenses and salaries of members of the board shall be audited, allowed, and paid out

of appropriations for collecting internal revenue, in the same manner as expenses and salaries of employees of the Bureau of Internal Revenue are audited, allowed, and paid.

"(4) The board shall have the power to summon witnesses, take testimony, administer oaths, and to require any person to produce books, papers, documents, or other data relating to any matter under investigation by the board. Any member of the board may sign subpoenas and members and employees of the Bureau of Internal Revenue designated to assist the board, when authorized by the board, may administer oaths, examine witnesses, take testimony, and receive evidence."

And the Senate agree to the same.

Amendment numbered 561: That the House recede from its disagreement to the amendment of the Senate numbered 561, and agree to the same with an amendment as follows: On page 128, line 17, and again on page 129, line 7, of the Senate engrossed amendments strike out the word "Titles" and insert the word "Title"; and the Senate agree to the same.

Amendment numbered 569: That the House recede from its disagreement to the amendment of the Senate numbered 569, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"(c) That the paragraph of section 3689 of the Revised Statutes, as amended, reading as follows: 'Refunding taxes illegally collected (internal revenue): To refund and pay back duties erroneously or illegally assessed or collected under the internal-revenue laws,' is repealed from and after June 30, 1920; and the Secretary of the Treasury shall submit for the fiscal year 1921, and annually thereafter, an estimate of appropriations to refund and pay back duties or taxes erroneously or illegally assessed or collected under the internal-revenue laws, and to pay judgments, including interest and costs, rendered for taxes or penalties erroneously or illegally assessed or collected under the internal-revenue laws."

And the Senate agree to the same.

Amendment numbered 578: That the House recede from its disagreement to the amendment of the Senate numbered 578, and agree to the same with an amendment as follows: On page 132, line 11 of the Senate engrossed amendments, after the word "States," insert the following: "at the instance of the United States"; and the Senate agree to the same.

Amendment numbered 581: That the House recede from its disagreement to the amendment of the Senate numbered 581, and agree to the same with an amendment as follows: On page 133, line 7, of the Senate engrossed amendments, strike out the parenthesis, and also in line 8 of said page strike out the parenthesis; and the Senate agree to the same.

Amendment numbered 595: That the House recede from its disagreement to the amendment of the Senate numbered 595, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "1402"; and the Senate agree to the same.

Amendment numbered 596: That the House recede from its disagreement to the amendment of the Senate numbered 596, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "1403"; and the Senate agree to the same.

Amendment numbered 597: That the House recede from its disagreement to the amendment of the Senate numbered 597, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "1404"; and the Senate agree to the same.

Amendment numbered 598: That the House recede from its disagreement to the amendment of the Senate numbered 598, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "1405"; and the Senate agree to the same.

Amendment numbered 599: That the House recede from its disagreement to the amendment of the Senate numbered 599, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"Sec. 1406. That all persons serving in the military or naval forces of the United States during the present war who have, since April 6, 1917, resigned or been discharged under honorable conditions (or, in the case of reservists, been placed on inactive duty), or who at any time hereafter (but not later than the termination of the current enlistment or term of service) in the case of the enlisted personnel and female nurses, or within one year after the termination of the present war in the case of officers, may resign or be discharged under honorable conditions (or, in the case of reservists, be placed on inactive duty), shall be paid in addition to all other amounts due them in pursuance of law, \$60 each.

"This amount shall not be paid (1) to any person who though appointed or inducted into the military or naval forces on or prior to November 11, 1918, had not reported for duty at



his station on or prior to such date; or (2) to any person who has already received one month's pay under the provisions of section 9 of the act entitled 'An act to authorize the President to increase temporarily the Military Establishment of the United States,' approved May 18, 1917; or (3) to any person who is entitled to retired pay; or (4) to the heirs or legal representatives of any person entitled to any payment under this section who has died or may die before receiving such payment. In the case of any person who subsequent to separation from the service as above specified has been appointed or inducted into the military or naval forces of the United States and has been or is again separated from the service as above specified, only one payment of \$60 shall be made.

"The above amount, in the case of separation from the service on or prior to the passage of this act, shall be paid as soon as practicable after the passage of this act, and in the case of separation from the service after the passage of this act shall be paid at the time of such separation.

"The amounts herein provided for shall be paid out of the appropriations for 'pay of the Army' and 'pay of the Navy,' respectively, by such disbursing officers as may be designated by the Secretary of War and the Secretary of the Navy.

"The Secretary of War and the Secretary of the Navy respectively shall make all regulations necessary for the enforcement of the provisions of this section."

And the Senate agree to the same.

Amendment numbered 600: That the House recede from its disagreement to the amendment of the Senate numbered 600, and agree to the same with an amendment as follows: Strike out the section number "1408" in the matter inserted by said amendment and insert in lieu thereof the number "1407"; and the Senate agree to the same.

Amendment numbered 601: That the House recede from its disagreement to the amendment of the Senate numbered 601, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert the following:

"Sec. 1408. That every person who on or after April 6, 1917, has entered into any contract, undertaking, or agreement, with the United States, or with any department, bureau, officer, commission, board, or agency under the United States or acting in its behalf, or with any other person having contract relations with the United States, for the performance of any work or the supplying of any materials or property for the use of or for the account of the United States, shall, within 30 days after a request of the commissioner therefor, file with the commissioner a true and correct copy of every such contract, undertaking, or agreement.

"Whoever fails to comply with such request of the commissioner shall be guilty of a misdemeanor and shall be punished by a fine of not more than \$1,000, or by imprisonment for not more than one year, or both.

"The commissioner shall (when not violative of the technical military or naval secrets of the Government) have access to all information and data relating to any such contract, undertaking, or agreement, in the possession, control or custody of any department, bureau, board, agency, officer or commission of the United States, and may call upon any such department, bureau, board, agency, officer or commission for a full statement and description of any allowance for amortization, obsolescence, depreciation or loss, or of any valuation, appraisal, adjustment or final settlement, made in pursuance of any such contract, undertaking, or agreement."

And the Senate agree to the same.

Amendment numbered 602: That the House recede from its disagreement to the amendment of the Senate numbered 602, and agree to the same with an amendment as follows: In lieu of the matter inserted by said amendment insert "1409"; and the Senate agree to the same.

CLAUDE KITCHIN,  
HENRY T. RAINEY,  
LINCOLN DIXON,  
J. W. FORDNEY,  
J. HAMPTON MOORE,  
*Managers on the part of the House.*

F. M. SIMMONS,  
JOHN SHARP WILLIAMS,  
HOKE SMITH,  
BOIES PENROSE,  
H. C. LODGE,  
*Managers on the part of the Senate.*

#### STATEMENT.

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 12863) to provide revenue, and for

other purposes, submit the following written statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

On amendment No. 1: This amendment is a clerical change; and the Senate recedes.

On amendment No. 2: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendment No. 3: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendment No. 4: This amendment is a clerical change; and the House recedes.

The action of the conferees on amendments Nos. 1 to 4, inclusive, will make the term "person" wherever used in the act include partnerships and corporations, as well as individuals; and the term "corporation" include associations, joint-stock companies, and insurance companies.

On amendment No. 5: This amendment defined the term "life insurance company" as used in the Senate life insurance amendments; and the Senate recedes.

On amendment No. 6: The House bill defined a "Government contract." The Senate struck out this definition. The House recedes with an amendment restoring the House definition and providing that the term "Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive," when applied to certain Government contracts "includes all such contracts which, although entered into during such period, were originally not enforceable, but which have been or may become enforceable by reason of subsequent validation in pursuance of law."

On amendment No. 7: This amendment defines the term "military or naval forces of the United States"; and the House recedes.

On amendment No. 8: This amendment provides that wherever in the act the term "present war" is used it shall mean the war in which the United States is now engaged against the German Government; and the House recedes.

On amendment No. 9: This amendment provides that for the purposes of this act the date of the termination of the present war shall be fixed by proclamation of the President; and the House recedes.

On amendment No. 10: This amendment is a clerical change; and the Senate recedes.

On amendment No. 11: This amendment defines the term "personal service corporation" to mean a corporation whose income is to be ascribed primarily to the activities of the principal owners or stockholders, who are themselves regularly engaged in the active conduct of the affairs of the corporation and in which capital (whether invested or borrowed) is not a material income producing factor. The House recedes with an amendment providing that the term "personal service corporation" shall not include a foreign corporation nor any corporation 50 per cent or more of whose gross income consists either (1) of gains, profits, or income derived from trading as a principal, or (2) gains, profits, commissions, or income, derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.

On amendment No. 12: This amendment struck out the definition of the term "dividend" as it appeared in the House bill; and the House recedes.

On amendment No. 13: This amendment provides that the terms "paid or incurred" and "paid or accrued" when used in the income-tax title shall be construed according to the method of accounting upon the basis of which the net income is computed under action 212; and the House recedes with an amendment defining the word "paid" when used for the purpose of computing the deductions and credits.

On amendment No. 14: This amendment defines the term "dividends." The House recedes with an amendment effecting clerical changes and providing that if any stock dividend is received by a taxpayer between January 1 and November 1, 1918, or is during such period bona fide authorized or declared, and entered on the books of the corporation, and is received after November 1, 1918, and before the expiration of 30 days after the passage of this act, then such dividend shall be taxed to the recipient at the rates prescribed by law for the years in which the corporation accumulated the earnings or profits from which such dividend was paid; and declaring that any distribution made during the first 60 days of any taxable year shall be deemed to have been made from earnings or profits accumulated during preceding taxable years, but that any distribution made during the remainder of the taxable year shall be deemed to have been made from earnings accumulated between the close of the preceding taxable year and the

date of distribution, to the extent of such earnings or profits. With the exception of the aforementioned changes and the modification of the amendment to cover the case of the personal service corporation the dividend definition in practical effect is the same as the definition in the House bill. The House bill taxed all dividends received by the taxpayer at the rates in effect in the year in which the dividend was received.

On amendments Nos. 15, 16, 17, 18, 19, and 20: These amendments are clerical changes; and the House recedes.

On amendment No. 21: The Senate amendment provided that no gain or loss shall be deemed to occur from the exchange when—in connection with the reorganization, merger, or consolidation of a corporation—a person receives in place of securities owned by him new securities of no greater aggregate par or face value, "or when a person or persons owning property receive in exchange for such property stock of a corporation formed to take over such property." This amendment also provides that when property is exchanged for other property, the property received in exchange shall, for the purpose of determining gain or loss, be treated as the equivalent of cash to the amount of its fair market value. The House recedes with an amendment striking out the clause relating to corporations formed to take over the property of individuals and adding a provision that when—in the case of any reorganization, merger, or consolidation—the aggregate par or face of the securities received is in excess of the aggregate par or face value of the securities exchanged, the amount of such excess shall be treated as a gain to the extent that the fair market value of the new securities is greater than the cost of the securities exchanged (or their value on March 1, 1913, if acquired prior to that date).

On amendment No. 22: This amendment is a change in section number; and the House recedes.

On amendment No. 23: This amendment is a clerical change; and the House recedes.

On amendment No. 24: This amendment provides that inventories for the purpose of determining net income under the income-tax title shall be taken upon the basis determined by the Commissioner of Internal Revenue as conforming as nearly as may be to the best accounting practice in the trade or business; and the House recedes.

On amendment No. 25: This amendment is a clerical change; and the House recedes.

On amendment No. 26: This amendment provides for the deduction of net losses sustained during one taxable year from the net income of the taxpayers for the preceding or succeeding taxable years. The House recedes with amendments making clerical changes and confining the application of this section to net losses sustained during taxable years beginning after October 31, 1918, and ending prior to January 1, 1920.

On amendment No. 27: The Senate bill struck out section 239 of the House bill (which dealt with the computation of income taxes for the fiscal year 1917-18) and inserted as section 205 a general provision dealing with the computation of the income tax for any fiscal year ending during a calendar year for which the rates of tax differ from those of the preceding calendar year. The House, as a necessary result of its action under amendment 285, recedes with an amendment providing that the tax for a fiscal year beginning in 1917 and ending in 1918 shall be the sum of (1) the same proportion of a tax for the entire period computed under Title I of the revenue act of 1916 as amended by the revenue act of 1917, and under Title I of the revenue act of 1917, which the portion of such period falling within the calendar year 1917 is of the entire period, and (2) the same proportion of the tax for the entire period computed under this title at the rates for the calendar year 1918 which the portion of such period falling within the calendar year 1918 is of the entire period. A similar method is also provided for fiscal years beginning in 1918 and ending in 1919.

On amendment No. 28: This amendment provides that whenever parts of a taxpayer's income are subject to rates for different calendar years the part subject to the rates for the most recent calendar year shall be placed in the lower brackets, the part subject to the rates for the next preceding calendar year shall be placed in the next higher brackets, and so on until the entire net income has been accounted for. The House recedes with an amendment striking out the reference to any personal exemption or other specific exemption contained in the Senate bill, and providing that in determining the income any deductions, exemptions, or credits of a kind not plainly and properly chargeable against the income taxable at rates for a preceding year shall first be applied against the income subject to rates for the most recent calendar year, but that any balance thereof shall be applied against the income subject to the rates of the next preceding year or years until fully allowed.

On amendment No. 29: This amendment is a clerical change; and the House recedes.

On amendment No. 30: The House bill levied a normal income tax of 12 per cent upon the amount of the net income in excess of the credits provided in section 216, but provided that the tax upon the first \$4,000 of such excess amount in the case of a citizen or resident of the United States should be 6 per cent. The Senate bill provided the same rates for the calendar year 1918, but provided that the normal income tax for each calendar year thereafter shall be 8 per cent of the amount of the net income in excess of the credits provided in section 216, except that in the case of a citizen or resident of the United States the tax shall be 4 per cent upon the first \$4,000 of such excess amount; and the House recedes.

On amendment No. 31: This amendment is a clerical change; and the House recedes.

On amendment No. 32: The following table shows the House and Senate surtax rates:

Surtax bracket upon the amount of the net income in excess of—	Rate.	
	House.	Senate.
	Per cent.	Per cent.
\$5,000 and not in excess of \$6,000.....	2	1
\$6,000 and not in excess of \$7,500.....	2	2
\$7,500 and not in excess of \$8,000.....	3	2
\$8,000 and not in excess of \$10,000.....	3	3
\$10,000 and not in excess of \$12,000.....	7	4
\$12,000 and not in excess of \$14,000.....	7	5
\$14,000 and not in excess of \$15,000.....	7	6
\$15,000 and not in excess of \$16,000.....	10	6
\$16,000 and not in excess of \$18,000.....	10	7
\$18,000 and not in excess of \$20,000.....	10	8
\$20,000 and not in excess of \$22,000.....	15	9
\$22,000 and not in excess of \$24,000.....	15	10
\$24,000 and not in excess of \$26,000.....	15	11
\$26,000 and not in excess of \$28,000.....	15	12
\$28,000 and not in excess of \$30,000.....	15	13
\$30,000 and not in excess of \$32,000.....	20	14
\$32,000 and not in excess of \$34,000.....	20	15
\$34,000 and not in excess of \$36,000.....	20	16
\$36,000 and not in excess of \$38,000.....	20	17
\$38,000 and not in excess of \$40,000.....	20	18
\$40,000 and not in excess of \$42,000.....	25	19
\$42,000 and not in excess of \$44,000.....	25	20
\$44,000 and not in excess of \$46,000.....	25	21
\$46,000 and not in excess of \$48,000.....	25	22
\$48,000 and not in excess of \$50,000.....	25	23
\$50,000 and not in excess of \$52,000.....	32	25
\$52,000 and not in excess of \$54,000.....	32	26
\$54,000 and not in excess of \$56,000.....	32	26
\$56,000 and not in excess of \$58,000.....	32	27
\$58,000 and not in excess of \$60,000.....	32	28
\$60,000 and not in excess of \$62,000.....	38	29
\$62,000 and not in excess of \$64,000.....	38	30
\$64,000 and not in excess of \$66,000.....	38	31
\$66,000 and not in excess of \$68,000.....	38	32
\$68,000 and not in excess of \$70,000.....	38	33
\$70,000 and not in excess of \$72,000.....	42	34
\$72,000 and not in excess of \$74,000.....	42	35
\$74,000 and not in excess of \$76,000.....	42	36
\$76,000 and not in excess of \$78,000.....	42	37
\$78,000 and not in excess of \$80,000.....	42	38
\$80,000 and not in excess of \$82,000.....	46	39
\$82,000 and not in excess of \$84,000.....	46	40
\$84,000 and not in excess of \$86,000.....	46	41
\$86,000 and not in excess of \$88,000.....	46	42
\$88,000 and not in excess of \$90,000.....	46	43
\$90,000 and not in excess of \$92,000.....	48	44
\$92,000 and not in excess of \$94,000.....	48	45
\$94,000 and not in excess of \$96,000.....	48	46
\$96,000 and not in excess of \$98,000.....	48	47
\$98,000 and not in excess of \$100,000.....	48	48
\$100,000 and not in excess of \$150,000.....	50	52
\$150,000 and not in excess of \$200,000.....	50	56
\$200,000 and not in excess of \$300,000.....	52	60
\$300,000 and not in excess of \$500,000.....	54	63
\$500,000 and not in excess of \$1,000,000.....	58	64
\$1,000,000 and not in excess of \$5,000,000.....	60	65
\$5,000,000.....	65	65

The House recedes.

On amendment No. 33: This amendment provides that in the case of a bona fide sale of mines, oil, or gas wells, or any interest therein, where the principal value of the property has been demonstrated by prospecting or exploration and discovery work done by the taxpayer, the portion of the surtax attributable to such sales shall not exceed 20 per cent of the selling price of such property or interest; and the House recedes.

On amendment No. 34: This amendment is a clerical change; and the House recedes.

On amendment No. 35: This amendment is a clerical change; and the Senate recedes.

On amendment No. 36: The House bill specifically provided that the term "gross income" should include the salaries of the President of the United States, the judges of the Supreme and inferior courts of the United States, and all other officers and



employees, whether elected or appointed, of the United States or of any State, Alaska, Hawaii, or any political subdivision thereof, or the District of Columbia. The Senate bill struck out this provision. The House recedes with an amendment making the salaries of the President of the United States, the judges of the Supreme and inferior courts of the United States, and all other officers and employees of the United States, Alaska, Hawaii, or any political subdivision thereof, or the District of Columbia, subject to the income tax.

On amendment No. 37: This amendment is a clerical change; and the Senate recedes.

On amendment No. 38: The House bill provided that gross income for the purpose of the income tax should not include the proceeds of life insurance policies paid upon the death of the insured to individual beneficiaries or to the estate of the insured. The Senate bill broadened this provision by providing that gross income should not include the proceeds of life insurance policies paid upon the death of the insured; and the Senate recedes.

On amendment No. 39: The House bill proposed to make the interest from certain State and municipal bonds subject to the surtax. The Senate in this amendment struck out the provision, thereby making all the interest from State and municipal bonds exempt from income taxes; and the House recedes.

On amendment No. 40: This amendment made the interest from bonds issued by the War Finance Corporation exempt except as otherwise provided under amendment No. 41. The House recedes with an amendment providing that every person owning any tax-free securities shall submit in his income-tax return a statement showing the number and amount of such obligations owned by him, and the income received therefrom.

On amendment No. 41: This amendment provides that the interest from bonds issued by the War Finance Corporation shall be exempt from income tax only to the extent provided in the war-finance corporation act; and the House recedes.

On amendments Nos. 42, 43, and 44: These amendments are clerical changes; and the House recedes.

On amendment No. 45: The House bill provided that gross income for the purpose of the income tax does not include income accruing to the Government of the Philippine Islands or Porto Rico, or any political subdivision thereof. The Senate bill extended this exemption to include Porto Rico, the Philippine Islands, and all other possessions of the United States, and any political subdivisions thereof; and the House recedes.

On amendments Nos. 46, 47, 48, and 49: These amendments are clerical changes; and the House recedes.

On amendment No. 50: This amendment is a clerical change; and the Senate recedes.

On amendment No. 51: This amendment limits the exemption from income tax of the income from the United States of persons in the military or naval forces to the period of the present war; and the House recedes.

On amendment No. 52: This amendment limits the exemption from income tax of salaries of persons in the military or naval service to those in active service; and the House recedes.

On amendment No. 53: The House bill limited the exemption of the salaries of those in the military and naval forces from income tax to those serving abroad or at sea. The Senate change in this limitation has been explained in amendment No. 52; and the House recedes.

On amendment No. 54: The House bill limited the exemption from income tax of the income from the United States of persons in the military or naval forces to so much of the income as did not exceed \$3,500. The Senate bill eliminated this limit; and the Senate recedes.

On amendment No. 55: This amendment provides that in the case of a device which a taxpayer has invented and which has been accepted by the War and Navy Departments since April 6, 1917, for use in the present war and which has been put into actual use as a basis for successful major operation by the United States Government in the war, and that if the Secretary of War or the Secretary of the Navy shall so certify to the Secretary of the Treasury, no tax shall be imposed for the year 1918 on the royalties received or any amount received in lieu of royalties by the taxpayer for the use of such devices; and the Senate recedes.

On amendment No. 56: This amendment is a clerical change; and the House recedes.

On amendment No. 57: This amendment provides that in the case of nonresident alien individuals gross income includes all amounts received (although paid under a contract for the sale of goods or otherwise) representing profits on the manufacture and disposition of goods within the United States; and the House recedes.

On amendments Nos. 58 and 59: The House bill provided that one of the deductions in computing net income should be payments required to be made as a condition to the continued use or possession for purpose of the trade or business of property to which the taxpayer has not taken or is not taking title or in which he has no equity. The Senate amendment broadened this provision by providing that the deduction should be of payments required to be made as a condition to the continued use or possession of property for purposes of the trade or business; and the Senate recedes.

On amendment No. 60: This amendment provides that interest paid or accrued on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after Sept. 24, 1917), the interest upon which is wholly exempt from taxation under the income tax title as income to the taxpayer, shall not be allowed as a deduction in computing net income; and the House recedes.

On amendment No. 61: In the case of a nonresident alien individual, the House bill limited the interest deduction to interest paid during the taxable year. The Senate amendment extended the deduction to interest accrued during the taxable year; and the House recedes.

On amendment No. 62: This amendment authorizes a deduction in computing net income for taxes assessed against local benefits when such benefits are not "of a kind tending to increase the value of the property assessed"; and the House recedes.

On amendment No. 63: This amendment authorizes, in the case of a nonresident alien individual, a deduction for certain taxes imposed by the authority of any foreign country upon property or business, to the extent that the income from such property or business is subject to taxation under this title; and the House recedes with an amendment making clerical changes.

On amendment No. 64: The House bill required a loss to be sustained and charged off during the taxable year before it could be allowed as a deduction in computing net income. The Senate bill only required the loss to be sustained during the taxable year; and the House recedes.

On amendment No. 65: The House bill provided that in determining net income a reasonable allowance should be made for exhaustion, wear, and tear of property used in the trade or business. The Senate bill provided that a reasonable allowance should be made in computing net income for the depreciation of property used in the trade or business. The House recedes with an amendment providing that in computing net income a reasonable allowance should be made for the exhaustion, wear, and tear of property used in the trade or business, including a reasonable allowance for obsolescence.

On amendment No. 66: The House bill provided that a nonresident alien individual should be entitled to deduct in computing net income a reasonable allowance for the exhaustion, wear, and tear of property used in the trade or business within the United States. The Senate bill permitted a nonresident alien individual to avail himself of the deduction for exhaustion, wear, tear, and obsolescence to the extent that they are connected with (taxable) income arising from sources within the United States; and the House recedes.

On amendment No. 67: This amendment extended the amortization provision to vessels constructed or acquired on or after April 6, 1917, for the transportation of articles or men contributing to the prosecution of the present war; and the House recedes.

On amendment No. 68: The House bill made the amortization deduction discretionary; the Senate bill makes it compulsory; and the House recedes.

On amendment No. 69: This amendment is a clerical change; and the House recedes.

On amendment No. 70: The House bill provided that the amortization deduction should not include amounts otherwise allowed under the income-tax title for depreciation, exhaustion, or wear and tear. The Senate amendment provides that the amortization deduction shall not include any amount otherwise allowed under the income-tax title or previous acts of Congress as a deduction in computing net income; and the House recedes.

On amendments Nos. 71, 72, 73, 74, and 75: These amendments are clerical changes; and the House recedes.

On amendment No. 76: The House bill limited the deduction for "amortization" by providing that in the case of a nonresident alien individual "this deduction shall be allowed only as to facilities within the United States," and that in no case shall the deduction for "amortization" exceed 25 per cent of the taxpayer's net income as computed without the benefit of such deduction. The Senate amendment strikes out the above limitations; and the House recedes.

On amendment No. 77: This amendment authorizes a reasonable allowance for the depletion of oil and gas wells in place of a similar allowance "for actual reduction in flow and production" as authorized by the House bill and adds a proviso "that in the case of mines, oil and gas wells, discovered by the taxpayer, on or after March 1, 1913, and not acquired as the result of purchase of a proven tract or lease, where the fair market value of the property is materially disproportionate to the cost, the depletion allowance shall be based upon the fair market value of the property at the date of the discovery, or within 12 months thereafter." The House recedes with an amendment changing the valuation period from 12 months to 30 days.

On amendments Nos. 78 and 79: These amendments are clerical changes; and the House recedes.

On amendment No. 80: This amendment provides that if it is shown to the satisfaction of the commissioner that during the taxable years 1919 and 1920 the taxpayers (a) has for the first time ascertained the amount of a loss sustained during the preceding taxable year and not deducted from the gross income therefor, or (b) has sustained a substantial loss (whether or not actually realized by sale or other disposition), resulting from any material reduction (not due to temporary fluctuation) of the value of the inventory for the preceding taxable year, then the amount of such loss shall be deducted from the net income for such preceding taxable year, and the income taxes for such year shall be redetermined accordingly. The House recedes with amendments (1) limiting the allowance for losses sustained during the taxable year to losses resulting from the actual payment of rebates on sales of the previous year in pursuance of contracts made during such year; (2) limiting the deduction for falling inventories to the taxable year 1919; and (3) permitting the taxpayer to take advantage of this deduction at the time of making his return by filing a claim in abatement accompanied with a bond in double the amount of the tax covered by the claim.

On amendment No. 81: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendment No. 82: Nonresident alien individuals, by the House bill, were authorized to deduct certain expenses "only if and to the extent that they are connected with a trade or business carried on within the United States." This amendment authorizes such deductions to be made if and to the extent that they are connected with "income arising from a source within the United States"; and the House recedes.

On amendment No. 83: This amendment is a clerical change made necessary by amendment No. 82; and the House recedes.

On amendments Nos. 84 and 85: Under the House bill a taxpayer would not be permitted to deduct in computing net income premiums paid on group insurance policies for the benefit of employees. Under the Senate bill such premium will be an allowable deduction. The House bill provided that premiums paid on any life insurance policy covering the life of any officer or employee, of any person financially interested in any trade or business carried on by the taxpayer shall not be allowed as a deduction when the taxpayer or anyone financially interested in such trade or business is a beneficiary under such policy. The Senate amendment provides that in the case of such policies the premiums shall not be allowed as a deduction when the taxpayer is directly or indirectly a beneficiary under such policy; and the House recedes.

On amendment No. 86: This amendment provides that for the purpose of computing the normal tax, the amount received as dividends from insurance companies taxable under section 504, and amounts received as dividends from personal service corporations out of earnings or profits upon which income tax has been imposed by act of Congress shall be allowed as credits; and the House recedes with an amendment striking out the reference to insurance companies taxable under section 504 of the Senate bill.

On amendment No. 87: This amendment complies with the terms of the War Finance Corporation act by providing that the interest from the bonds issued by the War Finance Corporation shall not be subject to the normal income tax; and the House recedes.

On amendment No. 88: This amendment is a clerical change to carry out the policy of exempting the interest from State and municipal bonds from income tax; and the House recedes.

On amendments Nos. 89, 90, and 91: These amendments are clerical changes; and the House recedes.

On amendment No. 92: This amendment provides that personal-service corporations shall not be subject to taxation under the income tax title, but that the individual stockholders thereof shall be taxed in the same manner as the members of partner-

ships. The House recedes with an amendment making minor clerical changes.

On amendment No. 93: This amendment provides for the taxation of "income collected by a guardian of an infant to be held or distributed as the court may direct"—a class of income whose status under the House bill was uncertain; and the House recedes.

On amendment No. 94: This amendment allows, in the case of estates and trusts, a deduction for amounts which, pursuant to the terms of the will or deed creating the trust, are paid to or permanently set aside for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals; and the House recedes with amendments making clerical changes and confining the deductions to amounts contributed to or permanently set aside for governmental purposes or corporations organized and operated exclusively for religious, charitable, scientific, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual.

On amendment No. 95: This amendment provides that in determining the net income of the estate of any deceased person during the period of administration there may be deducted the amount of any income properly paid or credited to any legatee, heir, or other beneficiary; and the House recedes with a clerical change.

On amendment No. 96: This amendment provides that any income of an estate during the period of administration or settlement permitted to be deducted from the net income upon which tax is to be paid by the fiduciary shall be accounted for by the beneficiary; and the House recedes with a clerical amendment.

On amendments Nos. 97, 98, 99, 100, and 101: These amendments are clerical changes; and the House recedes.

On amendment No. 102: This amendment eliminates the necessity of proving fraud when earnings of a corporation are allowed to accumulate for the purpose of preventing the imposition of the surtax upon the stockholders or members; and the House recedes.

On amendments Nos. 103 and 104: These amendments are clerical changes; and the House recedes.

On amendment No. 105: This amendment provides that, when the Commissioner of Internal Revenue certifies that an accumulation of profits is, in his opinion, to enable the stockholders of a corporation to avoid payment of the surtaxes, such corporation shall not be subject to the corporation income tax or the excess or war profits taxes, but that the stockholders shall be subject to taxation in the same manner as in the case of stockholders of a personal service corporation. The House recedes from its disagreement to this amendment with an amendment adopting the Senate amendment, but providing that in case a corporation is taxed on the basis of this amendment in the manner provided for personal service corporations, it shall also be subject to the excess or war profits taxes.

On amendments Nos. 106, 107, 108, 109, and 110: These amendments are clerical changes; and the House recedes.

On amendment No. 111: This amendment provides that the Commissioner of Internal Revenue instead of the Secretary of the Treasury shall certify the cases in which, in his opinion, the accumulation of earnings is unreasonable for the purpose of the business; and the House recedes.

On amendment No. 112: This amendment is a clerical change due to the method of taxing insurance under section 504 of the Senate bill; and the Senate recedes.

On amendment No. 113: In the case of income tax withheld at the source the tax in the House bill was at the rate of 12 per cent. The Senate reduced the rate to 8 per cent to comply with the normal income-tax rate after 1918 in the case of citizens or residents of the United States; and the House recedes.

On amendment No. 114: In the case of many American securities taken over and held by foreign Governments the owners of the securities are unknown to the withholding agent. This amendment provides that the Commissioner of Internal Revenue may authorize the tax to be deducted and withheld from the interest upon any securities the owners of which are not known to the withholding agent; and the House recedes.

On amendment No. 115: This amendment provides that in the case of tax-free-covenant obligations in which the interest is payable to a partnership the obligor shall withhold a tax equal to 2 per cent the same as in the case of interest from such obligations payable to individuals; and the House recedes.

On amendment No. 116: This amendment is the same as amendment No. 114, except that in this case it applies to tax-free-covenant obligations; and the House recedes.



On amendment No. 117: This amendment is a clerical change; and the House recedes.

On amendment No. 118: The House bill provided that a citizen of the United States might credit against his income tax the amount of any income, war-profits, and excess-profits taxes paid to any foreign country, Porto Rico, or the Philippine Islands upon income derived from sources therein and allowed a similar credit to an alien resident if his country makes reciprocal provisions. The Senate amendment entirely rewrites the section and broadens it to include a credit for taxes paid to any possession of the United States, which is also to be given to an alien resident of the United States. The House recedes with an amendment providing that if any deduction is allowed for taxes accrued in any possession or foreign country, the commissioner may require the taxpayer to give a surety bond providing for the payment of any tax found to be due the Government in case too great a deduction shall be allowed for accrued taxes in our possessions or any foreign country. The amendment as agreed to also provides that if such accrued taxes when paid differ from the amounts claimed as credits by the taxpayer, or if the tax paid is refunded in whole or in part, the taxpayer shall notify the Commissioner of Internal Revenue, who shall redetermine the amount of the tax due, and the amount of the tax due shall be paid by the taxpayer, or the amount of the tax overpaid shall be credited or refunded to the taxpayer.

On amendment No. 119: This amendment is a clerical change; and the House recedes.

On amendments Nos. 120 and 121: The House bill required every person having a net income for the taxable year of \$1,000 or over if single or if married and not living with husband or wife, or of \$2,000 or over if married and living with husband or wife, to file an income-tax return. The Senate bill required income-tax returns from individuals having a gross income of \$1,000 or over if single or if married and not living with husband or wife, or of \$2,000 or over if married and living with husband or wife; and the Senate recedes.

On amendments Nos. 122 and 123: The House bill basis for requiring fiduciary return in the case of single and married persons was the same as the basis for requiring individual returns. The Senate changed the basis to gross income, as it did in the case of individual returns; and the Senate recedes.

On amendment No. 124: This amendment is a clerical change; and the House recedes.

On amendment No. 125: The House bill provided that, except in the case of taxpayers who are abroad, no extension of time for filing returns of income tax shall be for a longer period than two months. The Senate bill struck out the House limitation and left the time of extension to the discretion of the commissioner. The House recedes from its disagreement to this amendment with an amendment providing that, except in the case of taxpayers who are abroad, no extension of the time for making the return shall be for a longer period than six months.

On amendment No. 126: This amendment is a clerical change; and the House recedes.

On amendment No. 127: This amendment exempts insurance companies from the income-tax provision, because the Senate bill proposed a separate and distinct tax on the investment income of insurance companies; and the Senate recedes.

On amendment No. 128: This amendment is a clerical change; and the House recedes.

On amendment No. 129: The House bill levied upon the net income of domestic corporations an income tax of 18 per cent, but provided that the rate should be 12 per cent upon so much of the amount of the net income subject to the tax as does not exceed the sum of (1) the amount of dividends paid during the taxable year, plus (2) the amount paid during the taxable year out of earnings or profits in discharge of bonds and other interest-bearing obligations outstanding prior to the beginning of the taxable year, plus (3) the amount paid during the taxable year in the purchase of obligations of the United States issued after September 1, 1918. The House bill taxed the net income of foreign corporations at the same rate with slight modifications because of the different situation in the case of foreign corporations. The Senate amendment changes the corporation income-tax rate for the calendar year 1918 to a flat rate of 12 per cent and for each calendar year thereafter to a flat rate of 8 per cent. It also provides that for the purpose of the Federal railway control act of March 21, 1918, five-sixths of the corporation income tax for 1918 and three-fourths of the tax for future years shall be treated as levied by an act in amendment of Title I of the revenue act of 1917.

The House recedes with an amendment fixing the corporation income tax for the calendar year 1918 at a flat rate of 12 per cent and for each calendar year thereafter at a flat rate of 10 per cent and providing that for the purposes of the Federal

railway control act five-sixths of the corporation income tax for 1918 and four-fifths of the tax for each calendar year thereafter shall be treated as levied by an act in amendment of Title I of the revenue act of 1917.

On amendment No. 130: This amendment adds to the list of corporations exempt from income tax corporations organized and operated exclusively for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private stockholder or individual; and the House recedes.

On amendment No. 131: The House bill exempted from income tax certain farmers', fruit growers', and like associations. The Senate amendment extends the exemption to cover cooperative societies but restricts the deductions heretofore allowed to associations or societies of this class which sell for or to non-members; and the Senate recedes.

On amendment No. 132: This amendment strikes joint stock land banks out of the list of corporations exempt from income tax. It also includes personal-service corporations among the corporations exempt from the corporation income tax, Senate amendment numbered 92 having made the stockholders of a personal-service corporation individually liable to income taxes in the same manner as members of a partnership; and the House recedes.

On amendments Nos. 133 and 134: These amendments are clerical changes; and the House recedes.

On amendment No. 135: The House bill provided that in computing the gross income of life insurance companies there should not be included such portion of any premium received "within the taxable year" as is paid back or credited to or treated as an abatement of premium within the taxable year; and also provided a rule for computing gross income in the case of mutual marine insurance companies. The Senate amendment strikes out these provisions, in pursuance of the Senate plan to tax insurance companies on the basis of investment income. The House recedes with an amendment restoring the House provisions but omitting the requirement in the case of a life insurance company that premiums to be excluded from gross income must be received "within the taxable year."

On amendments Nos. 136 and 137: These amendments propose to make foreign corporations selling raw materials in the United States to be manufactured here under an agreement that certain profits on the manufacture and disposition of the finished products shall be paid to the foreign corporation include such profits in computing gross income; and the House recedes.

On amendments Nos. 138 and 139: These amendments are clerical changes; and the House recedes.

On amendment No. 140: The House bill provided that in computing net income rentals or other payments required to be made as a condition to the continued use or possession of property to which the corporation has not taken or is not taking title, or in which it has no equity, could be allowed as a deduction. The Senate amendment broadens this deduction provision by providing that rentals or other payments required to be made as a condition to the continued use or possession of property may be allowed as a deduction in computing net income; and the Senate recedes.

On amendment No. 141: This amendment provides that interest paid or accrued on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after Sept. 24, 1917), the interest upon which is wholly exempt from taxation under the income tax title as income to the taxpayer, shall not be allowed as a deduction in computing net income; and the House recedes.

On amendment No. 142: In the case of a foreign corporation, the House bill limited the interest deduction to interest paid during the taxable year. The Senate bill extended the deduction to interest accrued during the taxable year; and the House recedes.

On amendment No. 143: This amendment authorizes a deduction for taxes assessed against local benefits when such benefits are not "of a kind tending to increase the value of the property assessed"; and the House recedes.

On amendment No. 144: This amendment authorizes, in the case of a foreign corporation, a deduction for certain taxes imposed by the authority of any foreign country upon property or business to the extent that the income from such property or business is subject to taxation under this title; and the House recedes, with an amendment making clerical changes.

On amendment No. 145: In the case of corporations the House bill required losses sustained during the taxable year to be charged off before allowing them to be deducted in computing the net income. The Senate amendment allowed losses sustained to be deducted although the taxpayer may not be

able to charge them off during the taxable year; and the House recedes.

On amendment No. 146: The House bill provided that in computing the net income of a corporation there should be deducted the dividends received from a corporation subject to income tax. The Senate amendment provides that amounts received by corporations as dividends from insurance companies not subject to income tax, and amounts received as dividends from a personal service corporation out of earnings or profits upon which income tax has been imposed by act of Congress, shall be deducted in computing net income. The House recedes with an amendment striking out the specific reference to insurance companies, since, by reason of the recession of the Senate from its amendment No. 127, such companies are subject to income tax.

On amendment No. 147: The House bill provided that in determining net income a reasonable allowance should be made for exhaustion, wear, and tear of the property used in the trade or business. The Senate amendment provides that a reasonable allowance shall be made in computing net income for the depreciation of property used in the trade or business. The House recedes with an amendment providing that in computing net income a reasonable allowance shall be made for the exhaustion, wear, and tear of the property used in the trade or business, including a reasonable allowance for obsolescence.

On amendment No. 148: This amendment permits a foreign corporation to avail itself of the deduction for exhaustion, wear, tear, and obsolescence of property outside the United States to the extent that they are connected with income arising from sources within the United States; and the House recedes.

On amendment No. 149: This amendment extends the amortization provision to vessels constructed or acquired on or after April 6, 1917, for the transportation of articles or men contributing to the prosecution of the present war; and the House recedes.

On amendment No. 150: The House bill made the amortization deduction discretionary. The Senate bill makes it compulsory; and the House recedes.

On amendment No. 151: This amendment is a clerical change; and the House recedes.

On amendment No. 152: The House bill provided that the amortization deduction should not include amounts otherwise allowed under the income-tax title for depreciation, exhaustion, or wear and tear. The Senate amendment provides that the amortization deduction shall not include any amount otherwise allowed under the income-tax title or previous acts of Congress as a deduction in computing net income; and the House recedes.

On amendments Nos. 153, 154, 155, 156, and 157: These amendments are clerical changes; and the House recedes.

On amendment No. 158: The House bill limited the deduction for amortization by providing that in the case of a foreign corporation "this deduction shall be allowed only as to facilities within the United States," and that in no case shall the deduction for amortization exceed 25 per cent of the taxpayer's net income as computed without the benefit of such deduction. The Senate amendment strikes out the above limitation; and the House recedes.

On amendment No. 159: This amendment authorizes a reasonable allowance for the depletion of oil and gas wells in place of a similar allowance "for actual reduction in flow and production" as authorized by the House, and adds a proviso "that in the case of mines, oil and gas wells, discovered by the taxpayer on or after March 1, 1913, and not acquired as the result of purchase of a proven tract or lease, where the fair market value of the property is materially disproportionate to the cost, the depletion allowance shall be based upon the fair market value of the property at the date of discovery, or within 12 months thereafter." The House recedes with an amendment changing the valuation period from 12 months to 30 days.

On amendment No. 160: The Senate bill carried a new and separate scheme of taxation for insurance companies, and this amendment strikes out as superfluous special deductions provided in the House bill for computing the net income of such corporation. The House recedes with an amendment restoring the House deductions and making a clerical change.

On amendment No. 161: This amendment provides that if it is shown to the satisfaction of the commissioner that during the taxable years 1919 and 1920 the taxpayer (a) has for the first time ascertained the amount of a loss sustained during the preceding taxable year and not deducted from the gross income therefor, or (b) has sustained a substantial loss (whether or

not actually realized by sale or other disposition) resulting from any material reduction (not due to temporary fluctuation) of the value of the inventory for the preceding taxable year, then the amount of such loss shall be deducted from the net income for such preceding taxable year, and the income taxes and excess-profits or war-profits taxes for such year shall be re-determined accordingly. The House recedes with amendments (1) limiting the allowance for losses sustained during the taxable year to losses resulting from the actual payment of rebates on sales of the previous year in pursuance of contracts made during such year; (2) limiting the deduction for falling inventories to the taxable year 1919; and (3) permitting the taxpayer to take advantage of this deduction at the time of making his return by filing a claim in abatement accompanied with a bond in double the amount of the tax covered by the claim.

On amendment No. 162: The House bill authorized foreign corporations to deduct certain expenses "only if and to the extent that they are connected with a trade or business carried on within the United States." The Senate amendment authorizes such deductions to be made if and to the extent that they are connected with "income arising from a source within the United States"; and the House recedes.

On amendment No. 163: This amendment is a clerical change made necessary by amendment No. 162; and the House recedes.

On amendment No. 164: This amendment is a clerical change; and the House recedes.

On amendment No. 165: This amendment complies with the terms of the War Finance Corporation act by providing that the interest from bonds issued by the War Finance Corporation shall not be subject to the corporation income tax; and the House recedes.

On amendment No. 166: This amendment is a clerical change to carry out the policy of exempting the interest from State and municipal bonds from income tax; and the House recedes.

On amendments Nos. 167 and 168: These amendments are clerical changes; and the House recedes.

On amendment No. 169: This amendment changes the method of computing income taxes for fiscal years beginning in 1917 and ending in 1918; and the House recedes with an amendment providing that in such cases, the excess-profits tax computed under Title II of the revenue act of 1917 shall be credited against the net income computed for the entire period under Title I of the revenue act of 1916 as amended by the revenue act of 1917 and under Title I of the revenue act of 1917, and the tax computed for the entire period under Title III of this act at the rates prescribed for the calendar year 1918 shall be credited against the net income computed for the entire period under this title.

On amendment No. 170: This amendment is a clerical change; and the House recedes.

On amendment No. 171: In the case of foreign corporations not engaged in trade or business within the United States and not having an office or place of business therein, the House bill required the corporation income tax to be withheld at the source at the rate of 18 per cent. The Senate reduced the rate to 8 per cent. The House recedes from its disagreement to the Senate amendment with an amendment providing that tax shall be withheld at the rate of 10 per cent.

On amendments Nos. 172, 173, 174, and 175: These amendments are clerical changes; and the House recedes.

On amendments Nos. 176 and 177: The effect of the Senate amendments is to extend the benefit of the credit for taxes to taxes paid to all possessions of the United States; and the House recedes.

On amendments Nos. 178 and 179: These amendments are clerical changes; and the House recedes.

On amendment No. 180: This amendment provides that in the case of a corporation which makes return for a fiscal year beginning in 1917 and ending in 1918 any tax paid for such fiscal year under Title I of the revenue act of 1916 or Title I of the revenue act of 1917 shall be credited against the tax imposed by this title. The House recedes with an amendment (1) limiting the allowance to that proportion of the credit for foreign taxes which the part of the fiscal year falling within the calendar year 1918 bears to the entire period; and (2) safeguarding the allowance by a provision inserted in subdivision (a) that if accrued taxes when paid differ from the amounts claimed as credits, or if any tax paid is refunded in whole or in part, the taxes due shall be redetermined, and authorizing the commissioner to require bond, in the case of claims based upon taxes accrued but not paid, conditioned for the payment by the taxpayer of any amount of tax found due upon any such redetermination. Provision is also made in amendment 169 that in the case of a corporation which makes return for a fiscal year beginning in



1917 and ending in 1918, the part of the war-profits and excess-profits taxes attributable to the calendar year 1917 shall be credited against the net income (not against the tax) for such year.

On amendment No. 181: This amendment strikes out section 239 of the House bill (which dealt with the computation of income taxes for the fiscal year 1917-18) as a part of the general change made by section 205 of the Senate bill, which—as explained in connection with amendment No. 27—provides a general method for computing the income tax for any fiscal year ending during a calendar year for which the rates of tax differ from those of the preceding calendar year; and the House recedes.

On amendment No. 182: This amendment is a change in section number; and the House recedes.

On amendment No. 183: This amendment is a clerical change; and the House recedes.

On amendment No. 184: This amendment provides that when the accounting period is changed as provided under section 226, only such portion of the \$2,000 corporation credit allowed under subdivision (c) of section 236 shall be allowed as the number of months in the period for which the return is made bears to 12 months; and the House recedes.

On amendment No. 185: This amendment provides for the computation of the income, excess profits and war profits taxes of affiliated corporations on the basis of a consolidated return of their net income and invested capital. The House recedes with an amendment providing:

(1) That there shall be taken out of such consolidated net income and invested capital, the net income and invested capital of any such affiliated corporation organized after August 1, 1914, and not successor to a then existing business, 50 per cent or more of whose gross income consist of gains, profits, commissions, or other income derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.

(2) That two or more domestic corporations shall be deemed to be affiliated (1) if one corporation owns directly or controls through closely affiliated interests or by a nominee or nominees substantially all the stock of the other or others, or (2) if substantially all the stock of two or more corporations is owned or controlled by the same interests.

(3) Retaining (out of the part of the Senate amendment which permitted the consolidation of foreign corporations affiliated with a domestic corporation and provided that in such consolidations, the total tax, computed as a unit, shall be reduced by the credit for foreign taxes authorized in section 238) only the features relating to the credit for foreign taxes, which are stated in the following terms:

For the purposes of section 238 a domestic corporation which owns a majority of the voting stock of a foreign corporation shall be deemed to have paid the same proportion of any income, war-profits and excess-profits taxes paid (not including taxes accrued) by such foreign corporation during the taxable year to any foreign country or to any possession of the United States upon income derived from sources within the United States, which the amount of any dividends (not deductible under section 234) received by such domestic corporation from such foreign corporation during the taxable year bears to the total taxable income of such foreign corporation upon or with respect to which such foreign taxes were paid: *Provided*, That in no such case shall the amount of the credit for such taxes exceed the amount of such dividends (not deductible under section 234) received by such domestic corporation during the taxable year.

On amendment No. 186: This amendment added a new "Part" to the income tax title and provided a separate tax on the investment income of life insurance companies and mutual insurance companies in lieu of all other taxes imposed in the bill upon such companies; and the Senate recedes.

On amendment No. 187: This amendment is a change in section number; and the Senate recedes.

On amendment No. 188: The House bill provided for the payment of income, war-profits, and excess-profits taxes in three installments, at intervals of two months. The Senate amendment provides for the payment of these taxes in four quarterly installments, the first to be paid at the time fixed by law for filing the return. The House recedes with amendments making clerical changes and providing that where an extension of time for filing a return is granted, the time for payment of the first installment shall be postponed until the expiration of the extension, but the time for payment of the other installments shall not be postponed unless the commissioner so provides in granting the extension.

On amendment No. 189: The House bill provided that where an extension of time for filing an income-tax return is granted the taxpayer may pay his tax in a single payment on or before the expiration of the period of extension. The Senate amendment struck out the House provision and substituted a provision providing (1) that in the case of any tax of not over \$200 paid

at the time of the filing of the return, there should be allowed a discount of 1 per cent, and (2) that where an extension of time for filing the return has been granted no interest shall be added to the tax if the whole amount of the tax is paid on or before the time the third installment would be due if no extension had been granted; and the Senate recedes.

On amendments Nos. 190, 191, and 192: These amendments are clerical changes; and the House recedes.

On amendments Nos. 193 and 194: The House bill provided that if a false or fraudulent return is made with intent to evade the tax, in addition to other penalties provided by law for false or fraudulent returns, there should be added as part of the tax 100 per cent of the amount of tax understated. The Senate amendment reduces the penalty to 50 per cent of the tax understated and provides that this penalty should be in lieu of the penalty provided by section 3176 of the Revised Statutes, as amended; and the House recedes.

On amendments Nos. 195, 196, 197, 198, and 199: These amendments are clerical changes; and the House recedes.

On amendment No. 200: This amendment provides, as to any amount of income tax remaining unpaid after the date when it is due and for 10 days after notice and demand by the collector, that if such amount is subject to a bona fide claim for abatement the 5 per cent penalty shall not be added to the tax and that interest from the time the amount was due until the claim is decided shall be at the rate of one-half of 1 per cent per month; and the House recedes.

On amendment No. 201: This amendment provides that in the case of the first installment payment of income taxes, the instructions printed on the return shall be deemed to be sufficient notice of the date when the tax is due and sufficient demand, and the taxpayer's computation of the tax on the return shall be deemed sufficient notice of the amount due; and the House recedes.

On amendment No. 202: This amendment provides that in any case in which in order to enforce payment of a tax it is necessary for a collector to cause a warrant of distraint to be served, there shall also be added as part of the tax the sum of \$5; and the House recedes.

On amendment No. 203: The effect of this amendment is to prevent taxpayers departing from the United States or removing their property therefrom before the close of the regular taxable year in order to avoid payment of the income taxes; and the House recedes.

On amendment No. 204: This amendment provides that internal-revenue collectors shall only give receipts for income taxes upon request; and the House recedes.

On amendment No. 205: The House bill provided that no credit or refund for income, war-profits, or excess-profits taxes shall be allowed or made after two years from the date when the return was due unless before the expiration of the two-year period a claim for such credit or refund is filed by the taxpayer. The Senate struck out this limitation and in amendment No. 207 increased the period in which claims for credit or refunds can be made to five years; and the House recedes.

On amendment No. 206: This amendment is a clerical change; and the House recedes.

On amendment No. 207: This amendment increases the period for which claims for credits or refund of income, excess profits, or war profits can be made from the two-year period provided in the House bill to five years; and the House recedes.

On amendment No. 208: This amendment is a clerical change; and the Senate recedes.

On amendment No. 209: This amendment authorizes the Commissioner of Internal Revenue to require personal service corporations to render returns of dividend payments, stating the name and address of each stockholder, the number of shares owned by him, and the amount of dividends paid to him; and the House recedes.

On amendment No. 210: The House bill authorized the Commissioner of Internal Revenue to require every individual, corporation, or partnership doing business as a broker on any exchange or board of trade or other similar place of business to render a return showing the names of customers for whom such individual, corporation, or partnership has transacted any business, with such details as to the profits, losses, or other information which the commissioner may require, as to each of such customers, as will enable the commissioner to determine whether all income tax due on profits or gains of such customers has been paid. The Senate amendment broadened the House provision to allow the commissioner to require this information from all brokers; and the House recedes.

On amendment No. 211: The House bill required all individuals, corporations, and partnerships making payment to another individual, corporation, or partnership of interest, rent,

salaries, wages, premiums, annuities, compensations, remunerations, emoluments, profits, and income of \$1,000 or more in any taxable year, to render an information return to the commissioner setting forth the amount of such gains, profits, and income, and the name and address of the recipient of such payment. The Senate amendment broadens this provision to require the aforementioned information with reference to all such payments made "at the rate of" \$1,000 or more in any taxable year; and the Senate recedes.

On amendment No. 212: The House bill provided that the foregoing information returns should be in such manner and form as the commissioner, with the approval of the Secretary, may prescribe, setting forth the amount of gains, profits, and income, and the name and address of the recipient of such payments. The Senate amendment provides that this information shall be given "to such extent" as may be prescribed by the commissioner, with the approval of the Secretary; and the House recedes.

On amendment No. 213: The House bill required all income-tax returns to be filed in the office of the commissioner. The Senate amendment struck out this requirement; and the House recedes.

On amendment No. 214: The House bill authorized the proper officers of any State "imposing an income tax to which corporations are subject," upon the request of the governor thereof, to have access to the return of any corporation. The Senate bill gave this authority whether or not the State imposed an income tax. The House recedes with an amendment providing that the proper officers of any State imposing an income tax may, upon the request of the governor thereof, have access to the returns of any corporation.

On amendment No. 215: This amendment provides that all bona fide stockholders of record owning 1 per cent or more of the outstanding stock of any corporation shall, upon making request of the commissioner, be allowed to examine the annual income returns of such corporation and of its subsidiaries; and the House recedes, with an amendment providing a penalty for disclosing any information so obtained.

On amendment No. 216: The House bill required the commissioner to have prepared each year and made available to public inspection in the office of each collector a list containing the names in alphabetical order and the post-office addresses of all individuals making income-tax returns in such district. The Senate amendment authorizes the commissioner to prepare and make public these lists in such manner as he may determine. The House recedes with an amendment providing that the lists of income-tax payers of each respective collection district must be available to public inspection in the office of the collector and at such other place and in such manner as the commissioner may determine.

On amendment No. 217: The House bill required the foregoing lists to be in alphabetical order. The Senate amendment strikes out this requirement; and the House recedes.

On amendment No. 218: The House bill required that there should be made available to public inspection in the office of the collector of each district the names and post-office addresses of all individuals making income-tax returns in "such district." The Senate amendment strikes out the words quoted; and the Senate recedes.

On amendment No. 219: The House bill provided that in Porto Rico and the Philippine Islands the income tax shall be levied, assessed, collected, and paid in accordance with the provisions of the revenue act of 1916, as amended by the revenue act of 1917, and gave the Porto Rican or Philippine Legislature power by due enactment to amend, alter, modify, or repeal the income-tax laws in force in Porto Rico or the Philippine Islands, respectively. The Senate amendment strikes out this provision and incorporated it in amendment No. 221 which is the new section 261; and the House recedes.

On amendment No. 220: This amendment provides that any individual who is a citizen of any possession of the United States and who is not a resident of the United States shall be subject to income taxes under this act only as to income derived from sources within the United States; and the House recedes with a clerical amendment.

On amendment No. 221: This amendment provides that the income tax in Porto Rico and the Philippine Islands shall be imposed in accordance with the provisions of the revenue act of 1916, as amended; defines the classes of taxpayers who shall make returns in such possessions; defines the classes of persons who are to be taxed in such possessions as nonresident aliens and as foreign corporations; and empowers the Porto Rican and the Philippine Legislatures to amend or repeal the income-tax laws in force in such possessions; and the House recedes with an amendment providing that a tax imposed in such possessions

upon the net income of a corporation shall not be considered to be a tax under this title.

On amendment No. 222: This amendment levies a tax of 100 per cent upon the excess over \$500 of campaign contributions contributed in the aggregate during any taxable year for the purpose of influencing the results of elections to which candidates for Members of the House of Representatives or for United States Senator or for presidential electors are to be nominated or elected; and the Senate recedes.

On amendment No. 223: Title III in the House bill bore the title "War profits and excess-profits taxes." The Senate amendment makes this read "War excess-profits tax"; and the Senate recedes.

On amendments Nos. 224, 225, and 226: These amendments are clerical changes; and the House recedes.

On amendment No. 227: This amendment is a clerical change made necessary by amendment 233; and the House recedes.

On amendments Nos. 228, 229, and 230: These amendments are clerical changes made necessary by and explained in connection with amendment 231; and the House recedes.

On amendment No. 231: The House bill provided an alternative war profits and excess-profits tax computed according to whichever of the two methods yielded the higher amount of tax. The tax under the excess-profits method was computed at the following rates: Thirty-five per cent of the amount of the net income in excess of the excess-profits credit and not in excess of 15 per cent of the invested capital for the taxable year; 50 per cent of the amount of the net income in excess of 15 per cent and not in excess of 20 per cent of such capital; and 70 per cent of the amount of the net income in excess of 20 per cent of the capital. The tax as computed by the war-profits method was 80 per cent of the amount of the net income in excess of the war-profits credit. The above rates applied to the taxable year 1918 and each taxable year thereafter.

The Senate amendment combines the war-profits and excess-profits methods in a single schedule, inserting the 80 per cent war-profits tax as the third bracket; changes the excess-profits rates from 35 per cent, 50 per cent, and 70 per cent to 30 per cent and 60 per cent; makes the above rates and the war-profits tax applicable only to the year 1918 and adopts the following excess-profits tax rates for the taxable year 1919 and each taxable year thereafter: Twenty per cent of the amount of the net income in excess of the excess-profits credit and not in excess of the invested capital; 40 per cent of the amount of the net income in excess of the invested capital. The Senate amendment also contains a provision that for the purposes of the Federal railroad-control act approved March 21, 1918, the tax imposed by this title shall be treated as levied by an act in amendment of Title II of the revenue act of 1917, thus making it certain that the war-profits and excess-profits tax, so far as applicable to transportation systems now under Federal control, shall be borne by the owners of such systems.

The House recedes with amendments: (1) Fixing the excess-profits tax rates for the taxable year 1918 at 30 per cent of the amount of the net income in excess of the excess-profits credit and not in excess of 20 per cent of the invested capital, and 65 per cent of the amount of the net income in excess of 20 per cent of the invested capital; and (2) continuing these rates for the taxable year 1918 into the taxable year 1919 and succeeding years with respect to the net income of each corporation which derives in any such year a net income of more than \$10,000 from any Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive—the tax upon corporations of this class being equal to the sum of the following: (a) Such a portion of a tax computed at the 1918 rates as the part of the net income attributable to such Government contract or contracts bears to the entire net income; plus (b) such a portion of a tax computed at the rates for 1918 and thereafter as the part of a net income not attributed to such Government contract or contracts bears to the entire net income.

On amendment No. 232: The House bill limited the tax in the case of corporations whose invested capital or net income for the taxable year did not exceed \$50,000. The Senate amendment strikes out this limitation and substitutes a general provision limiting the tax upon the amount of the net income in excess of \$3,000 and not in excess of \$20,000; and the House recedes with amendments making clerical changes.

On amendment No. 233: The House bill (in section 303) provided a special rate of 20 per cent of the net income in excess of \$3,000 in the case of a corporation, the earnings of which are to be ascribed primarily to the activities of the principal owners or stockholders who are themselves regularly engaged in the active conduct of the affairs of the corporation. The Senate amendment strikes out this provision, having defined (by amendment 11) the above class of corporations as "personal-service corpora-



tions" and having provided (by amendments 92 and 132) that they should be exempt from income, war-profits, and excess-profits taxes and be treated as partnerships. The Senate amendment also inserted, as section 303, an amendment providing for the taxation of a corporation, the net income of which is derived in part (1) from a trade or business in which the employment of capital is necessary, and in part (2) from a separate trade or business, which, if constituting the sole trade or business, would bring it within the class of "personal-service corporations." The House recedes with amendments making clerical changes.

On amendments Nos. 234 and 235: Amendment 234 provided—as part of the Senate plan of insurance taxation—that certain insurance companies should be exempted from war tax and excess-profits taxes. The House recedes with an amendment striking out the Senate amendment and inserting here the language of amendment No. 235, from which the Senate recedes. The restored matter provides that any corporation whose net income for the taxable year is less than \$3,000 shall be exempt from taxation under this title.

On amendment No. 236: This amendment provides that in the case of any corporation engaged in the mining of gold the portion of the net income derived from the mining of gold shall be exempt from the war-profits and excess-profits tax; and the House recedes with an amendment providing that the tax on the remaining portion of the net income shall be the proportion of a tax computed without the benefit of this exemption which such remaining portion of the net income bears to the entire net income.

On amendments Nos. 237, 238, and 239: These amendments are clerical changes necessitated by the amalgamation of the war-profits and excess-profits methods explained in connection with amendment 231; and the House recedes.

On amendment No. 240: In computing the war-profits credit the House bill provided that the average net income for the prewar period should be increased or diminished by 10 per cent of the "invested capital added or withdrawn since the close of the prewar period." The Senate amendment bases this allowance on the "difference between the average invested capital for the prewar period and the invested capital for the taxable year"; and the House recedes.

On amendment No. 241: This amendment is a clerical change necessitated by amendment 242; and the House recedes.

On amendment No. 242: This amendment provides that if a corporation was not in existence during the whole of at least one calendar year during the prewar period its war-profits credit shall be the sum of \$3,000 and an amount equal to the same percentage of the invested capital for the prewar period of corporations engaged in a trade or business of the same general class as that conducted by the taxpayer, but such amount shall in no case be less than 10 per cent of the invested capital of the taxpayer for the taxable year.

The House recedes with an amendment providing that the ordinary war-profits credit (i. e., \$3,000 plus 10 per cent of the invested capital for the taxable year) shall apply in the case of any "new" corporation if (1) a majority of its stock at any time during the taxable year is owned or controlled, directly or indirectly, by a corporation which was in existence during the whole of at least one calendar year during the prewar period, or if (2) 50 per cent or more of its gross income consists of gains, profits, commissions, or other income derived from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.

On amendment No. 243: This amendment is a clerical change; and the House recedes with a further clerical change.

On amendment No. 244: This amendment is a clerical change necessitated by the amalgamation of the war profits and excess profits methods (explained in connection with amendment 231); and the House recedes.

On amendments Nos. 245 and 246: These amendments are clerical changes; and the House recedes.

On amendment No. 247: The Senate amendment as a consequence of the adoption of amendment 159 struck out the allowance for hazard provided for producers or prospectors of oil in the House bill at this point; and the House recedes.

On amendment No. 248: This amendment is a clerical change; and the House recedes.

On amendment No. 249: This amendment provides that a corresponding part of the capital invested in "inadmissible assets" shall not be deemed to be inadmissible assets "where all or part of the interest derived from such assets is in effect included in the net income because of the limitation on the deduction of the interest under paragraph (2) of subdivision (a) of section 234"; and the House recedes.

On amendment No. 250: This amendment is a clerical change; and the House recedes.

On amendment No. 251: The term "admissible assets" is by this amendment defined to mean "all assets other than inadmissible assets, valued in accordance with the provisions of subdivision (a) of section 326, section 330, and section 331"; and the House recedes.

On amendment No. 252: This amendment provides that the par value of stock or shares shall, in the case of stock or shares issued at a nominal value, be deemed to be the fair market value as of the date or dates of issue of such stock or shares; and the House recedes.

On amendment No. 253: This amendment is a clerical change; and the House recedes.

On amendment No. 254: The House bill provided that tangible property should be included in invested capital in an amount not to exceed the par value of the original stock or shares specifically issued therefor. The Senate amendment adds the following qualification: "Unless the actual cash value of such tangible property at the time paid in is shown to the satisfaction of the commissioner to have been clearly and substantially in excess of such par value, in which case such excess shall be treated as paid-in surplus." The House recedes with an amendment providing that the commissioner shall keep a detailed record of all cases in which tangible property is included in invested capital at a value in excess of the stock or shares issued therefor, which record shall be furnished when required by resolution of either House of Congress, without regard to the restrictions contained in section 257.

On amendment No. 255: This amendment is a clerical change; and the House recedes.

On amendment No. 256: The House bill specifically provided that "paid-in or earned surplus and undivided profits" should not include the increase in the value of any asset above the original cost until such increase is actually realized by sale. This was stricken out by the Senate amendment as surplusage and merely declaratory of an accepted general principle controlling the whole computation of invested capital; and the House recedes.

On amendment No. 257: The House bill limited to 20 per cent of the par value of the total stock or shares of the corporations outstanding on March 3, 1917, the aggregate allowance which may be made for intangible property paid in for stock or shares prior to March 3, 1917. The Senate amendment increased this limit to 30 per cent; and the House recedes with an amendment changing the 30 per cent to 25 per cent.

On amendment No. 258: The House bill excluded from "invested capital" intangible property (other than patents and copyrights) paid in for stock or shares on or after March 3, 1917. The Senate amendment permits all intangible property bona fide paid in for stock on or after March 3, 1917 (subject to the limitation noted in amendment 259), to be included in invested capital; and the House recedes.

On amendment No. 259: The House bill limited to 20 per cent of the par value of the total stock or shares outstanding at the beginning of the taxable year the aggregate allowance which may be made (in computing invested capital) for patents and copyrights paid in for stock or shares on or after March 3, 1917. The Senate amendment increased this limit to 30 per cent (having by amendment 258 also allowed other intangible property to be included); and the House recedes with amendments changing the 30 per cent to 25 per cent, and providing that in no case shall the total allowance for intangible property paid in for stock or shares before, on, or after March 3, 1917, exceed in the aggregate 25 per cent of the par value of the total stock of shares outstanding at the beginning of the taxable year.

On amendment No. 260: This amendment strikes out the House provision excluding from "invested capital" intangible property (other than patents and copyrights) paid in for stock or shares on or after March 3, 1917; and the House recedes.

On amendment No. 261: This amendment provides that there shall be deducted from invested capital as defined in section 326 a percentage equal thereof to the percentage which the amount of inadmissible assets is of the amount of the admissible and inadmissible assets held during the taxable year, except in the case of certain dealers in securities, insurance companies, banks, banking associations, loan or trust companies; and the House recedes with an amendment striking out the exception.

On amendment No. 262: This amendment strikes out the definition provided in the House bill of the invested capital of a foreign corporation (see amendment No. 263), makes clerical changes in the method of computing the invested capital for a fractional part of a year, and defines the average invested capital for the prewar period; and the House recedes.

On amendment No. 263: The House bill in the so-called relief provisions provided that in certain specified cases the



invested capital of a corporation shall be the amount which bears the same ratio to the net income of the corporation for the taxable year as the average invested capital for the taxable year of representative corporations engaged in a like or similar trade or business bears to their average net income for such year.

The Senate amendment increases the classes of cases in which the tax is to be fixed by reference to the experience of representative corporations; includes therein all foreign corporations (see amendment 262), and provides that in such cases the tax shall be the amount which bears the same ratio to the net income of the taxpayer (in excess of the specific exemption of \$3,000) for the taxable year as the average tax of representative corporations engaged in a like or similar trade or business bears to their average net income (in excess of the specific exemption of \$3,000) for such year.

The House recedes with amendments:

(1) Making clerical changes;  
(2) Consolidating a number of separate classes or cases differentiated in the Senate amendment into a single class of cases in which "upon application by the corporation the commissioner finds and so declares of record that the tax if determined without benefit of this section would, owing to abnormal conditions affecting the capital or income of the corporation, work upon the corporation an exceptional hardship evidenced by gross disproportion between the tax computed without benefit of this section and the tax computed by reference to the representative corporations specified in section 328. This subdivision shall not apply to any case in which the tax (computed without benefit of this section) is high merely because the corporation earned within the taxable year a high rate of profits upon a normal invested capital, nor in which 50 per cent or more of the gross income of the corporation for the taxable year (computed under sec. 233 of Title II) consists of gains, profits, commissions, or other income, derived on a cost-plus basis from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive"; and

(3) Providing (since the taxpayer, in cases falling under this section, does not know the basis on which the final assessment will be made) that the return shall be made and the first installments of the tax computed on the basis of a tax equal to 50 per cent of the net income, in any case in which the tax as computed without benefit of this section is 50 per cent or more of the net income, and that where the tax, as computed without benefit of this section is less than 50 per cent of the net income, then the installments shall in the first instance be computed upon the basis of such tax.

On amendments Nos. 264, 265, 266, and 267: These amendments are clerical changes; and the House recedes.

On amendment No. 268: The Senate amendment strikes out the House provision that in the case of a corporation making a return on the basis of a fiscal year the ratio (between the average invested capital and the average net income of representative corporations) for the calendar year ending during such fiscal year shall be used; and the House recedes.

On amendment No. 269: This amendment is a clerical change necessitated by amendment 263; and the House recedes.

On amendment No. 270: This amendment is a clerical change; and the House recedes with an amendment making another clerical change.

On amendment No. 271: This is a clerical change; and the House recedes.

On amendments Nos. 272, 273, 274, and 275: These amendments are clerical changes; and the Senate recedes.

On amendment No. 276: This amendment provided that nothing contained in section 330 relating to the reorganization, consolidation, or change of ownership after January 1, 1911, of a trade or business now carried on by a corporation should be so construed as to conflict with the provisions of section 326; and the Senate recedes.

On amendment No. 277: The House bill provided that in the case of reorganizations, etc., if the predecessor trade or business was carried on by a partnership or individual the net income for the prewar period should be ascertained and returned upon the same basis as provided for partnerships and individuals in Title II. The Senate amendment provides that in such cases the net income for the prewar period shall be ascertained and returned upon the basis provided for corporations in Title II, including a reasonable deduction for salary or compensation to each partner or the individual.

The House recedes with an amendment providing that in the case of the reorganization as a corporation before July 1, 1919, of certain trades or businesses previously owned by a partnership or individual the net income of such trade or busi-

ness from January 1, 1918, to the date of such reorganization may, at the option of the individual or partnership, be taxed as the net income of a corporation is taxed under Titles II and III; in which event the undistributed profits of such trade or business shall not be subject to surtaxes, but amounts distributed on or after January 1, 1918, from the earnings of such trade or business shall be taxed to the recipients as dividends, and any taxpayer availing himself of this option is required to pay the capital stock tax as if such taxpayer had been a corporation on and after January 1, 1918, with a capital stock having no par value.

On amendment No. 278: This amendment extends certain House provisions relating to the reorganization, consolidation, or change of ownership of a trade or business, to include "change of ownership of property"; and the House recedes.

On amendments Nos. 279, 280, and 281: These amendments are clerical changes dependent upon amendment 278; and the House recedes.

On amendment No. 282: This amendment provides that in cases of reorganization, etc., if the previous owner was not a corporation then the value of any asset transferred or received shall be taken at its cost of acquisition at the date when acquired by such previous owner; and the House recedes with an amendment making a clerical change.

On amendments Nos. 283 and 284: These amendments are clerical changes; and the House recedes.

On amendment No. 285: In the case of corporations making return for a fiscal year beginning in 1917 and ending in 1918 the House bill provided that the entire net income (for purposes of computing the war-profits and excess-profits tax) should be determined under Title II of this act. The Senate amendment alters the methods of computing both the net income and the tax, in such cases, by providing that the tax for the first taxable year under this title shall be (1) the same proportion of a tax for the entire period computed under Title II of the revenue act of 1917 which the portion of such period falling within the calendar year 1917 is of the entire period, and (2) the same proportion of a tax for the entire period computed under this title which the portion of such period falling within the calendar year 1918 is of the entire period. The Senate amendment also contains certain necessary provisions required by the exemption of personal service corporations from war-profits and excess-profits tax. The House recedes with amendments making clerical changes.

On amendment No. 286: This amendment is a clerical change; and the House recedes.

On amendment No. 287: This amendment strikes out the House provision prohibiting the use of the so-called consolidated return; and the House recedes.

On amendment No. 288: This amendment provides that in the case of a bona fide sale of mines, oil or gas wells, or any interest therein, where the par value of the property has been demonstrated by prospecting or exploration and discovery work done by the taxpayer, the portion of the tax imposed by the excess-profits title attributable to such sale shall not exceed 20 per cent of the selling price of such property or interest; and the House recedes.

On amendment No. 289: The House bill imposed a tax upon the transfer of the net estate of every decedent dying after the passage of this act based upon the total value of the net estate regardless of the number of shares into which it was divided among the various beneficiaries (substantially the same as the present law at increased rates). The Senate amendment strikes out this tax and in lieu thereof imposes an inheritance tax based upon the value of the beneficial interests passing to each individual beneficiary, with much lower rates than the House bill and much smaller revenue return. The House recedes with an amendment restoring the provisions of the House bill, with the following changes:

1. Exempting from the tax under this act and the existing law the transfer of the net estate of any decedent who has died or may die while serving in the military or naval forces of the United States in the present war or from injuries received or disease contracted while in such service.

2. Changing from three years to two years the period of time within which a transfer of a material part of his property by a decedent before his death shall be deemed to have been made in contemplation of death.

3. Allowing as a deduction in computing the net estate the amount of all bequests, legacies, and devises to the United States or a State or a political subdivision thereof for public purposes, or to a corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or to a trustee exclusively for such purposes.



4. Extending from two years to three years the maximum time to which the commissioner may extend the time for the payment of the tax.

5. Making other minor administrative changes.

6. The following table shows the rates of the House bill and as agreed to in conference:

Amount of net estate (an exemption of \$50,000 is allowed estates of residents of the United States in computing the value of net estate).	Rates on net estates under—	
	Conference agreement.	House bill.
	Per cent.	Per cent.
Not exceeding \$50,000.....	1	3
Exceeding \$50,000 and not exceeding \$150,000.....	2	6
Exceeding \$150,000 and not exceeding \$250,000.....	3	9
Exceeding \$250,000 and not exceeding \$450,000.....	4	12
Exceeding \$450,000 and not exceeding \$750,000.....	6	15
Exceeding \$750,000 and not exceeding \$1,000,000.....	8	15
Exceeding \$1,000,000 and not exceeding \$1,500,000.....	10	18
Exceeding \$1,500,000 and not exceeding \$2,000,000.....	12	18
Exceeding \$2,000,000 and not exceeding \$3,000,000.....	14	21
Exceeding \$3,000,000 and not exceeding \$4,000,000.....	16	24
Exceeding \$4,000,000 and not exceeding \$5,000,000.....	18	27
Exceeding \$5,000,000 and not exceeding \$8,000,000.....	20	30
Exceeding \$8,000,000 and not exceeding \$10,000,000.....	22	35
Exceeding \$10,000,000.....	25	40

On amendment No. 290: The House bill made the transportation taxes effective November 1, 1918. The Senate bill made them effective April 1, 1919; and the House recedes.

On amendment No. 291: The House bill exempted from the passenger tax the amounts paid for transportation the fare for which does not exceed 35 cents. The Senate amendment increased this exemption to 42 cents; and the House recedes.

On amendment No. 292: This amendment limits the 8 per cent tax on passenger fares over transportation lines which are in competition with foreign lines so that such tax shall not exceed the amount of transportation tax to which foreign transportation companies are subjected by their Governments. The House recedes with an amendment confining the limitation or exemption to passenger traffic between American ports on water lines which are in competition between American ports with foreign water transportation lines from adjacent foreign ports.

On amendment No. 293: This amendment confines the tax on the amount paid for seats, berths, or staterooms in parlor cars or on vessels to such facilities when used in connection with transportation upon which the passenger tax is imposed; and the House recedes.

On amendment No. 294: The House bill imposed a tax of 6½ per cent on the amount paid for the transportation of oil by pipe line. The Senate amendment increases this tax to 8 per cent; and the House recedes.

On amendment No. 295: This amendment provides that the taxes upon transportation and other facilities shall not be imposed upon any payment received for services rendered to the United States or to any State or Territory or the District of Columbia; and the House recedes.

On amendment No. 296: This amendment provides that the taxes upon transportation and other facilities shall without assessment by the commissioners or notice from the collectors be due and payable to the collectors at the time of filing each monthly return and provides a penalty for nonpayment; and the House recedes.

On amendment No. 297: The House bill imposed a tax equivalent to 8 cents on each \$100 or fractional part thereof of the amount for which any life is insured. In the case of group life insurance, covering groups of not less than 25 lives in the employ of the same person for the benefit of persons other than the employer, the House bill imposed a tax equivalent to 4 cents on each \$100 of the aggregate amount for which the group policy is issued and of any net increase in the amount of insurance under such policies. It also reenacted the tax under existing law of 1 cent on each dollar or fractional part thereof of the premium charged under each policy of marine, inland, and fire insurance without change. The House bill also substantially reenacted the tax levied under existing law of 1 cent on each dollar or fractional part thereof of the premium charged under each casualty insurance policy.

The Senate bill presented an entirely new scheme of insurance taxation by which the income, excess profits, war profits, capital stock, and premium taxes upon insurance companies other than life and mutual insurance companies were replaced by premium taxes at higher rates than have been heretofore imposed. As part of this plan the premium taxes upon issuance

of insurance policies (including life insurance policies) provided in the House bill was stricken out by the Senate in this amendment.

The House recedes with amendments making clerical changes; restoring the House tax provision on the issuance of insurance policies; and providing that such taxes shall be due and payable, without assessment or notice, at the time fixed for filing return and that if not paid when due there shall be added as part of the tax a penalty of 5 per cent, together with interest at the rate of 1 per cent for each full month, from the time when the tax became due.

On amendment No. 298: This amendment is a clerical change; and the House recedes.

On amendment No. 299: The House bill imposed a tax on nonbeverage alcohol of \$4.40 per proof gallon or wine gallon when below proof. The Senate bill reduced this rate to \$2.20; and the House recedes.

On amendment No. 300: The House bill levied a tax upon beverage alcohol of \$8 per proof gallon or wine gallon when below proof. The Senate reduced this rate to \$6.40, and the House recedes.

On amendment No. 301: Distilled spirits stored under bonds in accordance with the law are subject after eight years to tax whether withdrawn or not. The approaching period of prohibition provided by the food-stimulation act would therefore force the payment either by owners or sureties of large sum of taxes upon spirits which could not be lawfully sold or removed from the warehouse. To meet this situation the Senate bill provides in this amendment that the tax on distilled spirits intended for beverage purposes shall not be payable on such spirits while stored in any distillery, bonded warehouse, or special or general bonded warehouse, and which, pursuant to any act of Congress, or proclamation of the President of the United States, can not be lawfully sold or removed from such warehouse during the period of prohibition; and all warehousing bonds or transportation and warehousing bonds conditioned for the payment of tax on any such spirits so stored on the date such prohibition takes effect shall, as to all such spirits actually so stored, be canceled and discharged, provided the distiller of such spirits shall, in lieu of such bonds and prior to their cancellation, execute a bond in a penal sum of not less than \$10,000, with sureties satisfactory to the collector of the district conditioned that the principal shall, during the period of such prohibition, safely cause to be kept in good condition all such spirits and the warehouse in which the same are stored, and shall not remove or suffer to be removed from the warehouse, contrary to law, any such spirits during the period of such prohibition. The distiller may also be permitted to retain in any such bonded warehouse distilled spirits on which, under the terms of any existing bond, the tax imposed thereon becomes due and payable prior to the date such prohibition takes effect, but on the removal of such prohibition the distiller shall, as to all spirits as to which the bonded period fixed by law has not expired and which remains stored in warehouse, execute new and satisfactory bond in the form required by existing law conditioned for the payment of the tax on all such spirits.

The amendment also authorizes upon the withdrawal of the distilled spirits from bonded warehouses, after the period of prohibition has ended, an allowance (in addition to that allowed by existing law) for loss by leakage or other unavoidable cause, not exceeding 1 proof gallon as to packages of a capacity of not less than 40 wine gallons; and a like additional allowance of 1 proof gallon as to each package withdrawn may be made for each period of four months, or a fraction thereof, for such spirits as shall have remained in warehouse during the period of prohibition and after the expiration of the maximum leakage period fixed by existing law.

The amendment also provides that liquors which may be in any customs bonded warehouse under the customs laws on the date such prohibition takes effect shall be permitted to remain therein without payment of any taxes or duties thereon, beyond the three-year period provided in section 2971 of the Revised Statutes, during such period of prohibition; and may be exported at any time during such extended period. Any imported spirits, wines, or other liquors as to which the three-year bonded period may expire after the passage of this act and prior to the date such prohibition takes effect may, at the option of the owner, remain in bond during such period of prohibition; and the House recedes.

On amendment No. 302: This amendment is a clerical change; and the House recedes.

On amendment No. 303: The House bill imposed a tax upon perfume containing distilled spirits of \$3.30 per wine gallon.

The Senate bill reduced this tax to \$1.10; and the House recedes.

On amendments Nos. 304, 305, 306, 307, 308, 309, 310, and 311: These amendments are clerical changes; and the House recedes.

On amendment No. 312: The House bill imposed a floor tax upon distilled spirits for beverage purposes of \$4.80 per proof gallon, and upon spirits for nonbeverage purposes of \$2.20. The Senate imposed a floor tax upon such spirits equal to the difference between the tax imposed by this act and existing law. The House recedes with an amendment imposing a floor tax of \$3.20 per proof gallon upon beverage spirits.

On amendments Nos. 313, 314, 315, 316, 317, 318, and 319: These amendments are clerical changes; and the House recedes.

On amendment No. 320: This amendment exempts from the tax on liqueurs, cordials, or similar compounds those not containing sweet wine fortified with grape brandy; and the House recedes.

On amendment No. 321: This amendment is a clerical change; and the House recedes.

On amendment No. 322: The House bill levied upon sweet wines held for sale on the day after the passage of the act a floor tax equivalent to 20 cents per proof gallon upon the grape brandy or wine spirits used in the fortification of the wine. The Senate amendment increased this tax to 30 cents; and the House recedes.

On amendment No. 323: This amendment is a clerical change due to the action upon Senate amendment 318; and the House recedes.

On amendment No. 324: This amendment is a clerical change; and the House recedes.

On amendment No. 325: This amendment makes it lawful to produce grape wines on bonded winery premises and to transport and use the same and like wines heretofore produced as distilling material for the production of nonbeverage spirits; and the House recedes with an amendment striking out the words "of fermentation."

On amendment No. 326: This amendment imposes a penalty upon anyone who evades or attempts to evade the taxes imposed upon wines and grape brandy similar to the penalty imposed upon distilled spirits in section 3256 of the Revised Statutes; and the House recedes.

On amendment No. 327: This amendment is a clerical change; and the House recedes.

On amendment No. 328: The House bill imposed a tax upon nonalcoholic cereal beverages of 30 per cent of the price for which sold; the Senate amendment reduced this rate to 15 per cent; and the House recedes.

On amendments Nos. 329 and 330: The House bill taxed unfermented grape juice and all fruit or berry juices at the same rates as other soft drinks except cereal beverages. The Senate bill exempted such drinks from tax; and the Senate recedes.

On amendment No. 331: The House bill imposed a tax of 20 per cent upon the manufacturer's selling price of soft drinks other than cereal beverages. The Senate bill reduced this tax with the exception of the action heretofore mentioned in amendments 329 and 330 to 10 per cent. This recession taken in connection with the action upon amendments 329 and 330 makes the tax upon all soft drinks other than cereal beverages 10 per cent of the prices for which sold by the manufacturer, producer, or importer.

On amendments Nos. 332 and 333: The House bill imposed a tax of 2 cents per gallon upon all natural mineral waters or table waters sold at over 10 cents per gallon. The Senate bill in these two amendments imposed a tax of 5 per cent upon the price for which sold, whether or not at over 10 cents per gallon; and the Senate recedes.

On amendment No. 334: This amendment is a clerical change; and the House recedes.

On amendment No. 335: This amendment provides that the tax upon soft drinks shall without assessment by the commissioner or notice by the collectors be due and payable to the collectors at the time of the filing of each monthly return, and provides a penalty for nonpayment; and the House recedes.

On amendment No. 336: The House bill made the tax upon sales at soda fountains and similar places effective November 1, 1918. The Senate bill changed the date to May 1, 1919; and the House recedes.

On amendments Nos. 337 and 338: The House bill imposed a tax of 2 cents for each 10 cents or fraction thereof of the amount paid for soft drinks, ice cream, or other similar articles of food or drink sold at soda fountains, ice-cream parlors, or other similar places of business with a proviso that where the charge for any such article is 7 cents or less the tax shall be 1 cent. The

Senate amendments reduced this tax to 1 cent for each 10 cents or fraction thereof; and the House recedes.

On amendments Nos. 339, 340, 341, 342, 343, and 344: The following table shows the taxes proposed upon cigars in the bill as it passed the House and Senate and as agreed to in conference:

Item.	House bill.	Senate bill.	As agreed to in conference.
Cigars weighing not more than 3 pounds per 1,000, per thousand.....	\$2.00	\$1.50	\$1.50
Cigars weighing more than 3 pounds per 1,000, if manufactured or imported to retail at—			
Less than 5 cents each, per thousand.....	5.00	4.00	4.00
More than 5 cents each and not more than 8 cents each, per thousand.....	8.00	5.40	6.00
More than 8 cents each and not more than 15 cents each, per thousand.....	12.00	9.00	9.00
More than 15 cents each and not more than 20 cents each, per thousand.....	16.00	12.00	12.00
More than 20 cents each, per thousand.....	20.00	15.00	15.00

On amendments Nos. 345 and 346: The House bill imposed a tax upon cigarettes weighing not more than 3 pounds per thousand and if manufactured or imported to retail at less than 2 cents each of \$4.10 per thousand and of \$5.10 per thousand upon those manufactured or imported to retail at 2 cents or more each. The Senate bill by amendment 346 strikes out the tax on cigarettes to retail at 2 cents or more each, and the House recedes; and by amendment 345 makes the rate upon all cigarettes weighing not more than 3 pounds per thousand, \$2.90 per thousand; and the House recedes with an amendment making the tax upon all such cigarettes \$3 per thousand.

On amendment No. 347: The House bill imposed a tax upon cigarettes weighing more than 3 pounds per thousand of \$9.00 per thousand. The Senate bill made this tax \$7.20; and the House recedes.

On amendments Nos. 348, 349, and 350: These amendments are clerical changes; and the House recedes.

On amendment No. 351: The House bill imposed a tax upon manufactured tobacco and snuff of 26 cents per pound. The Senate bill reduced this tax to 18 cents; and the House recedes.

On amendment No. 352: This amendment exempted from floor tax the following amount of tobacco stock: Not over 50 pounds of manufactured tobacco and snuff or 1,000 cigars and not over 3,000 cigarettes held by any person. The House bill gave no similar exemption; and the Senate recedes.

On amendments Nos. 353, 354, 355, and 356: The House bill imposed the following tax upon each package, book, or sheet of cigarette papers: Each containing more than 25 but not more than 50 papers, 1 cent; each containing more than 50 but not more than 100 papers, 2 cents; and each containing over 100 papers, for each 100 or fraction thereof, 2 cents. The Senate bill reduced the rates to one-half of the House rate; and the House recedes.

On amendment No. 357: Section 35 of the act of August 5, 1909, provides that "unstemmed leaf tobacco in the natural leaf, in the hand, and not manufactured or altered in any manner, raised and grown in the United States, shall not be subject to any internal-revenue tax or charge of any kind whatsoever, and it shall be lawful for any person to buy and sell such unstemmed tobacco in the leaf, in the hand, without payment of tax of any kind."

This amendment repeals the above section and provides that sales or shipments of leaf tobacco by a dealer in leaf tobacco shall be in quantities of not less than a hoghead, tierce, case, or bale, except loose leaf tobacco comprising the breaks on warehouse floors, and except to a duly registered manufacturer of cigars for use in his own manufactory exclusively, and that dealers in leaf tobacco shall make shipments of leaf tobacco only to other dealers in leaf tobacco, to registered manufacturers of tobacco, snuff, cigars, or cigarettes, or for export. The amendment also provides that upon all leaf tobacco sold, removed, or shipped by any dealer in leaf tobacco in violation of the aforementioned provision, or in respect to which no report has been made by such dealer in accordance with the provisions of subdivision (b), there shall be levied, assessed, collected, and paid a tax equal to the tax then in force upon manufactured tobacco, such tax to be assessed and collected in the same manner as the tax on manufactured tobacco.

The amendment also provides a penalty for the enforcement of the same. It is also provided that for the purposes of this section a farmer or grower of tobacco shall not be regarded as a dealer in leaf tobacco in respect to the leaf tobacco produced by him.

The House recedes with an amendment making a clerical change.



On amendment No. 358: The House bill provided that admission taxes should go into effect November 1, 1918. The Senate amendment fixed the date as April 1, 1919; and the House recedes.

On amendments Nos. 359 and 360: The House bill imposed a tax of 2 cents for each 10 cents or fraction thereof on the amount paid for admission to any place with a proviso that where the charge for admission is 7 cents or less, and in the case of children under 12 years of age where an admission charge for such children is made, the tax shall be 1 cent. The Senate amendment reduces this tax to 1 cent for each 10 cents or fraction thereof of the amount paid for such admission; and the House recedes.

On amendment No. 361: The House bill imposed upon free admissions, with exceptions, a tax of 2 cents for each 10 cents or fraction thereof of the price charged to other persons for the same accommodations. The Senate amendment reduces this tax to 1 cent for each 10 cents or fraction thereof of the price so charged to other persons; and the House recedes.

On amendment No. 362: The House bill imposed upon theater tickets sold at places other than the box office at not to exceed 50 cents in excess of the sum of the regular price plus the amount of the ordinary tax of 1 cent for each 10 cents or fraction thereof a tax equivalent to 5 per cent of the amount of such excess. The Senate amendment increased this to 10 per cent of the amount of such excess; and the Senate recedes.

On amendment No. 363: The House bill imposed upon tickets sold at places other than the box office for more than 50 cents in excess of the sum of the regular price plus the amount of the ordinary tax of 1 cent for each 10 cents or fraction thereof, a tax equivalent to 30 per cent of the amount of such excess. The Senate amendment increases this to 50 per cent of the amount of such excess; and the House recedes.

On amendments Nos. 364 and 365: These amendments are clerical changes; and the House recedes.

On amendment No. 366: The House bill imposed upon persons having permanent boxes or seats or a lease for the use of such boxes or seats a tax equivalent to 25 per cent of the amount for which a similar box or seat is sold for each performance at which such box or seat is used or reserved. The Senate amendment reduces this to 10 per cent; and the House recedes.

On amendment No. 367: The House bill imposed a tax of 2 cents for each 10 cents or fraction thereof of the amount paid for admission to any public performance for profit at any roof garden, cabaret, or similar entertainment to which a charge for admission is wholly or in part included in the price paid for refreshment, service, or merchandise. The Senate amendment reduces this to 1 cent for each 10 cents or fraction thereof; and the House recedes with an amendment making the rate  $\frac{1}{4}$  cents for each 10 cents or fraction thereof.

On amendment No. 368: This amendment provides that the admission tax shall not be levied in respect to admissions all the proceeds of which inure exclusively to the benefit of societies for the prevention of cruelty to children and animals, or organizations conducted for the sole purpose of maintaining symphony orchestras and receiving substantial support from voluntary contributions. The House recedes with an amendment making clerical changes and providing that if any of the profits of organizations maintaining symphony orchestras are distributed to members the exemption shall be allowed.

On amendment No. 369: The House bill provided that the tax on club dues should go into effect on November 1, 1918. The Senate amendment fixed the date as April 1, 1919; and the House recedes with a clerical amendment.

On amendment No. 370: The House bill imposed a tax of 20 per cent upon the amount paid for club dues to social, athletic, or sporting clubs or organizations. The Senate amendment reduces this tax to 10 per cent; and the House recedes.

On amendment No. 371: The House bill made subject to the tax upon club dues the dues paid to any produce exchange, board of trade, or other similar organization, or to any stock exchange. The Senate amendment strikes out this tax; and the House recedes.

On amendments Nos. 372 and 373: These amendments are clerical changes made necessary by the removal of the tax on dues applicable to stock and produce exchanges; and the House recedes.

On amendment No. 374: This amendment is a clerical change striking out language which is reinserted in slightly different form by amendment No. 431; and the House recedes.

On amendments Nos. 375 and 376: The House bill imposed a tax upon automobile trucks, automobile wagons, automobile trailers, or tractors of 5 per cent of the manufacturer's selling price, and upon other automobiles or motorcycles a tax of 10 per cent. The Senate amendments exempt from the tax auto-

mobile trucks, automobile wagons, automobile trailers, or tractors, and imposes a tax of 5 per cent of the manufacturer's selling price of automobiles and motorcycles. The House recedes with amendments imposing a tax upon automobile trucks and automobile wagons of 3 per cent of the manufacturer's selling price, and in the case of other automobiles and motorcycles, except tractors, of 5 per cent upon such price.

On amendments Nos. 377, 378, 379: These amendments are clerical changes; and the Senate recedes.

On amendment No. 380: The House bill imposed a tax upon automobile tires, inner tubes, parts, or accessories of 10 per cent of the manufacturer's selling price when such tires are sold to any person other than an automobile manufacturer or producer. The Senate amendment reduces this tax to 5 per cent; and the House recedes.

On amendment No. 381: This amendment is a clerical change; and the Senate recedes.

On amendments Nos. 382 and 383: The House bill imposed a tax upon pipe organs of 10 per cent of the manufacturer's selling price. The Senate amendment strikes out this tax; and the House recedes.

On amendment No. 384: This amendment makes music boxes subject to the musical-instrument tax; and the House recedes.

On amendment No. 385: The House bill imposed a tax upon musical instruments and records thereof of 10 per cent upon the manufacturer's selling price. The Senate amendment reduces this tax to 5 per cent; and the House recedes.

On amendment No. 386: The House bill imposed a tax upon positive moving-picture films, containing a picture ready for projection, of 10 per cent of the manufacturer's selling or leasing price. The Senate amendment strikes out this tax; and the House recedes.

On amendment No. 387: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendments Nos. 388, 389, and 390: These amendments are clerical changes; and the House recedes.

On amendment No. 391: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendment No. 392: The House bill imposed a tax upon chewing gum of 6 per cent of the manufacturer's selling price. The Senate amendment reduces this to 3 per cent; and the House recedes.

On amendment No. 393: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendment No. 394: The House bill exempted from the tax upon cameras those weighing more than 100 pounds each. The Senate amendment strikes out this exemption; and the Senate recedes.

On amendment No. 395: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendment No. 396: The House bill imposed a tax upon photographic films and plates equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment reduces this tax to 5 per cent; and the House recedes.

On amendment No. 397: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendment No. 398: The House bill imposed a tax upon candy of 10 per cent of the manufacturer's selling price. The Senate amendment reduces this tax to 5 per cent; and the House recedes.

On amendment No. 399: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendments Nos. 400 and 401: These amendments are clerical changes; and the House recedes.

On amendments Nos. 402 and 403: The House bill imposed upon pistols and revolvers a tax of 25 per cent of the manufacturer's selling price. The Senate amendments reduce this tax to 10 per cent; and the House recedes.

On amendment No. 404: This amendment imposes a tax upon hunting and bowie knives equivalent to 10 per cent of the manufacturer's selling price. The House recedes with an amendment making a clerical change in the paragraph number.

On amendment No. 405: This amendment is a clerical change; and the Senate recedes.

On amendment No. 406: The House bill imposed a tax upon bowie knives equivalent to 100 per cent upon the manufacturer's selling price. The Senate amendment strikes out this tax and by Senate amendment No. 404 imposes a tax of 10 per cent on such knives. In view of the House having agreed to the rate

imposed by amendment No. 404, the House recedes in this amendment.

On amendment No. 407: This amendment is a clerical change; and the Senate recedes.

On amendments Nos. 408 and 409: The House bill levied a tax upon electric fans equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment imposes a tax of 5 per cent on portable electric fans; and the House recedes.

On amendment No. 410: This amendment is a clerical change; and the Senate recedes.

On amendment No. 411: This amendment is a clerical change; and the House recedes.

On amendment No. 412: The House bill imposed a tax upon thermos and thermostatic bottles and similar containers equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment reduces this tax to 5 per cent; and the House recedes.

On amendment No. 413: The House bill imposed a tax upon tapestries and textiles for furniture coverings or hangings as interior decorations, and upon woolen rugs, equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment strikes out this tax; and the House recedes.

On amendment No. 414: This amendment is a clerical change, and the House recedes with an amendment making a further clerical change.

On amendment No. 415: The House bill imposed a tax upon photographs, productions, or reproductions, equivalent to 10 per cent of the producer's selling price. The Senate amendment strikes out this tax; and the House recedes.

On amendment No. 416: The House bill imposed a tax upon cash registers equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment strikes out this tax; and the House recedes.

On amendment No. 417: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendment No. 418: The House bill imposed upon automatic slot weighing and vending machines a tax equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment reduces this tax to 5 per cent; and the House recedes with an amendment making the tax 5 per cent in case of the vending machines and 10 per cent in the case of the weighing machines.

On amendment No. 419: The House bill in a different section (sec. 1007, amendment No. 523) provided that on and after January 1, 1919, every manufacturer of automatic vending or weighing machines who operates such machines shall pay annually an excise tax equivalent to 5 per cent of the gross amount received by him from such operation during the preceding year ending June 30. The Senate by amendment No. 523 struck out this provision and by amendment No. 419 provided that if the manufacturer, producer, or importer of any such machine operates it for profit he shall pay a tax in respect of each such machine put into operation equivalent to 5 per cent of its fair market value. The House recedes from amendment No. 419, but recedes from amendment No. 523 with an amendment adding to Senate amendment 419 a clause providing that a manufacturer, producer, or importer operating such a weighing machine for profit shall pay a tax in respect of each such machine put into operation equivalent to 10 per cent of its fair market value.

On amendments Nos. 420 and 421: These amendments are clerical changes; and the House recedes with amendments making further clerical changes.

On amendment No. 422: The House bill imposed upon hunting garments and riding habits a tax equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment adds shooting garments to the articles covered by this tax; and the House recedes.

On amendment No. 423: The House imposed a tax on bathing suits equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment strikes out this tax; and the House recedes.

On amendment No. 424: The House imposed upon certain specified furs a tax equivalent to 10 per cent of the manufacturer's selling price. The Senate amendment extends the tax so as to include all articles made out of fur or articles of which fur is a component material of chief value. The House recedes with a clerical amendment and with an amendment confining the tax to articles made of fur on the hide or pelt, or articles of which any such fur is the component material of chief value.

On amendment No. 425: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendment No. 426: The House bill imposed upon yachts and motor boats a tax equivalent to 10 per cent of the builder's

selling price. The Senate amendment exempts from this tax those "used exclusively" for trade, fishing, and national defense. The House recedes with an amendment confining the exemption to those "designed" for trade, fishing, or national defense.

On amendment No. 427: This amendment is a clerical change; and the House recedes.

On amendment No. 428: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendment No. 429: This amendment is a clerical change; and the House recedes.

On amendment No. 430: The House bill imposed upon toilet soaps and soap powder a tax equivalent to 10 per cent of the manufacturer's selling price; the Senate amendment reduces this tax to 3 per cent; and the House recedes.

On amendment No. 431: This amendment inserts in slightly different form matter already stricken out by amendment No. 374; and the House recedes.

On amendments Nos. 432, 433, 434, 435, 436, 437, 438, 439, and 440: The House bill contained a provision to prevent evasion of the tax on articles sold by a manufacturer by selling them at less than the fair market price. The Senate amendments extend this provision to cover the leasing or licensing for exhibition of motion-picture films at less than the fair market price; and the House recedes.

On amendment No. 441: The House bill imposed upon gasoline suitable for motor power, sold by the manufacturer, refiner, or importer, a tax of 2 cents a gallon. The Senate amendment strikes out this tax; and the House recedes.

On amendment No. 442: This amendment is a change in section number; and the House recedes.

On amendments Nos. 443, 444, 445, and 446: The House bill imposed upon sculpture, paintings, and statuary sold by any person other than the artist a tax equivalent to 10 per cent of the price for which so sold. Senate amendment No. 443 adds to this list art porcelains and bronzes; and the House recedes. Amendment No. 444 adds to this list antique furniture sold by any person; and the Senate recedes. Amendment No. 445 reduces the rate from 10 per cent to 5 per cent; and the Senate recedes. Amendment No. 446 provides that the tax shall not apply to the sale of any such article to an educational institution or art museum. The House recedes with an amendment confining the exemption to sales to educational institutions or public art museums.

On amendment No. 447: This amendment is a change in section number; and the House recedes.

On amendments Nos. 448 and 449: These amendments are clerical changes; and the House recedes.

On amendment No. 450: This amendment provides that the excise taxes imposed in Title IX shall without assessment by the commissioner or notice from the collector be due and payable to the collectors at the time of filing each monthly return, and provides a penalty for nonpayment; and the House recedes.

On amendment No. 451: This amendment is a change in section number; and the House recedes.

On amendment No. 452: The House bill provided that the tax on the excess amount paid for certain articles should go into effect on November 1, 1918. The Senate amendment changes this date to May 1, 1919; and the House recedes.

On amendment No. 453: The House bill imposed a tax equivalent to 20 per cent of so much of the amount paid for certain articles (specified in section 905 of such bill) as is in excess of the price specified in such section as to each such article when sold for consumption or use. The Senate amendment reduces this to 10 per cent; and the House recedes.

On amendment No. 454: This amendment limits the application of the tax referred to in the preceding amendment to articles sold by a dealer. The House recedes with an amendment making the limitation apply to articles sold by or for a dealer or his estate.

On amendment No. 455: This amendment strikes from the articles subject to tax referred to under amendment No. 453, men's and boys' suits or overcoats and women's and misses' suits, cloaks, coats, and dresses; and the House recedes.

On amendments Nos. 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, and 466: These amendments are all clerical changes; and the House recedes.

On amendment No. 467: This amendment exempts from the tax referred to under amendment No. 453 articles made out of fur or of which fur is the component material of chief value. The House recedes with an amendment confining the exemption to articles made of fur on the hide or pelt or of which any such fur is the component material of chief value.



On amendment No. 468: This amendment is a clerical change; and the House recedes.

On amendment No. 469: This amendment is a clerical change; and the House recedes with an amendment making a further clerical change.

On amendment No. 470: This amendment is a clerical change made necessary by the adoption of amendment No. 455; and the House recedes.

On amendment No. 471: This amendment is a change in section number; and the House recedes.

On amendment No. 472: The House bill provided that the jewelry tax should go into effect on November 1, 1918. The Senate amendment changes this date to April 1, 1919; and the House recedes.

On amendment No. 473: The House bill imposed a tax upon articles made of, or ornamented, mounted, or fitted with, precious metals or imitations thereof or ivory. The Senate amendment excludes surgical instruments falling within this class; and the House recedes.

On amendment No. 474: This amendment confines the jewelry tax imposed by the House to articles sold by a dealer. The House recedes, with an amendment making the tax applicable when the article is sold by or for a dealer or his estate.

On amendment No. 475: The House bill imposed upon jewelry and similar articles when sold for consumption or use a tax equivalent to 10 per cent of the price for which sold. The Senate amendment reduces this to 5 per cent; and the House recedes.

On amendment No. 476: The House bill provided that the jewelry tax should not apply to articles sold by any person whose principal business is not the sale of such articles for consumption or use and whose gross receipts from the sale of such articles during the preceding year does not exceed \$200. The Senate amendment strikes out this exception; and the House recedes.

On amendment No. 477: This amendment is a clerical change; and the House recedes.

On amendment No. 478: This amendment provides that the tax upon jewelry shall without assessment by the commissioner or notice from the collectors be due and payable to the collectors at the time of filing each monthly return, and provides a penalty for nonpayment; and the House recedes.

On amendment No. 479: The House bill imposed a tax equivalent to 10 per cent of the amount paid for any jewelry composed in whole or in part of platinum when sold for consumption or use. The Senate amendment strikes out this tax; and the House recedes.

On amendment No. 480: This amendment provides that on and after May 1, 1919, any person engaged in the business of leasing or licensing for exhibition positive motion-picture films containing pictures ready for projection shall pay monthly an excise tax of 5 per cent of the total rentals during the preceding month; and the House recedes with an amendment making a clerical change.

On amendment No. 481: This amendment is a change in section number; and the House recedes.

On amendment No. 482: The House bill provided that the tax on cosmetics and proprietary and patent medicines should go into effect on November 1, 1918; the Senate amendment changed this date to May 1, 1919; and the House recedes.

On amendments Nos. 483 and 484: The House bill imposed upon cosmetics and proprietary and patented medicines a tax of 1 cent for each 10 cents or fraction thereof when sold for consumption or use. The Senate amendments reduce this rate to 1 cent for each 25 cents or fraction thereof and confine the tax to cases where the article is sold by a dealer. The House recedes from amendment No. 483, fixing the rate, and recedes from amendment No. 484 with an amendment limiting the application of the tax to cases where the articles are sold by or for a dealer or his estate.

On amendment No. 485: This amendment provides that the House tax on proprietary and patent medicines should not apply to the sale of medicinal preparations which are not advertised to the general lay public. The House recedes with an amendment limiting the exemption to vaccines and bacterines which are not advertised to the general lay public, and to the sale of medicinal preparations, not so advertised, by a physician in personal attendance upon a patient.

On amendments Nos. 486 and 487: These amendments strike out the floor taxes imposed by the House bill upon the articles subject to the excise taxes held by a dealer and intended for sale on the day after the passage of this act; and the House recedes.

On amendment No. 488: The House bill imposed upon a domestic corporation an annual excise tax equivalent to \$1 for each \$1,000 of so much of the fair average value of its capital stock for the preceding year as is in excess of \$5,000. It also provided that in estimating the value of the capital stock the

surplus and undivided profits should be included. This is the basis of the tax under the present law, with the rate increased 100 per cent. The Senate amendment changes the basis of the tax from the fair average value of the capital stock to the amount of the net assets shown on the books as of the close of the preceding income-tax year; and the Senate recedes.

On amendment No. 489: The House bill based the capital stock tax in the case of foreign corporations upon the average amount of "capital actually invested" in the United States. The Senate amendment changes this basis and places this tax upon the average amount of "capital employed" in the United States; and the House recedes.

On amendment No. 490: This amendment, as part of the Senate's general plan of insurance taxation, strikes out the House provisions relating to the computation of the capital stock tax in the case of insurance companies; and the Senate recedes.

On amendment No. 491: This amendment is a clerical change; and the Senate recedes.

On amendment No. 492: This amendment, as part of the Senate's general plan of insurance taxation, specifically exempts insurance companies from the capital stock tax. The House recedes with an amendment making the tax specifically applicable to mutual insurance companies and providing that in the case of every such domestic company the tax shall be based upon the sum of its surplus or contingent reserves maintained for the general use of the business and any reserves the net additions to which are included in the net income under the provisions of Title II, as of the close of its preceding income tax year; and providing that in the case of a foreign mutual insurance company the tax shall be based upon the same proportion of the sum of such surplus and reserve which the reserve fund upon business transacted within the United States is of the total reserve upon all business transacted.

On amendment No. 493: This amendment is a clerical change; and the Senate recedes.

On amendment No. 494: This amendment is a clerical change striking out certain language which is reinserted in slightly changed form at a different place by amendment No. 511; and the House recedes.

On amendment No. 495: The House bill imposed a special license tax upon brokers at \$100 a year. The Senate amendment reduces this to \$40; and the House recedes with an amendment making the rate \$50.

On amendments Nos. 496 and 497: The House bill provided that brokers who are members of stock or produce exchanges should pay in addition to the license tax imposed upon all brokers additional amounts as follows: If the average value during the preceding year ending June 30 of a seat or membership in such exchange was not more than \$2,000, \$50; if such value was more than \$2,000 and not more than \$5,000, \$100; if such value was more than \$5,000, \$150. The Senate amendments strike out the additional tax of \$50 where the value of the seat was less than \$2,000; and the House recedes.

On amendment No. 498: This amendment provides in addition to the pawnbroker's license tax an additional tax based on the value of the gross receipts for the preceding year; and the Senate recedes.

On amendment No. 499: The House bill provided for a special license tax on ship brokers of \$50 per year. The Senate amendment reduces this to \$40; and the Senate recedes.

On amendment No. 500: The House bill provides for a special license tax on customhouse brokers of \$50 per year. The Senate amendment reduces this tax to \$40; and the Senate recedes.

On amendment No. 501: This amendment exempts from the special license tax on proprietors of theaters, museums, and concert halls, edifices owned by religious, educational, or charitable institutions, societies or organizations where all the proceeds from admissions inure exclusively to the benefit of such institutions, societies, or organizations, or exclusively to the benefit of persons in the military or naval forces of the United States; and the House recedes.

On amendment No. 502: The House bill imposed a special license tax on circus proprietors of \$200 per year. The Senate amendment reduces this to \$100; and the House recedes.

On amendment No. 503: The House bill imposed a special license tax on proprietors or agents of public exhibitions or shows not otherwise enumerated of \$20 per year. The Senate amendment reduces this to \$15; and the House recedes.

On amendment No. 504: The House bill provided that an aggregation of entertainments known as street fairs should not pay a larger tax than \$200 in any State, Territory, or the District of Columbia. The Senate amendment reduces this to \$100; and the House recedes.

On amendments Nos. 505, 506, 507, and 508: The House bill imposed upon persons carrying on the business of operating



sight-seeing automobiles an annual tax equivalent to 10 per cent of the gross receipts during the preceding year ending June 30 from the operation of each such automobile having a seating capacity of more than seven. The Senate amendment, in lieu of this tax, imposes upon persons carrying on the business of operating or renting passenger automobiles for hire an annual tax of \$10 for each such automobile having a seating capacity of more than two and not more than seven and \$20 for each such automobile having a seating capacity of more than seven; and the House recedes.

On amendment No. 509: The House bill provided that every person carrying on the business of a brewer, distiller, or liquor dealer in any place contrary to State laws shall pay in addition to all other taxes \$1,000 annually, and provided that the payment of this tax should not be held to exempt any person from the penal provisions of the local laws. The Senate amendment strikes out this provision; and the Senate recedes.

On amendment No. 510: The House bill imposed a special license tax upon persons engaged in any trade, business, or profession, with certain exceptions. The Senate amendment strikes out this tax; and the House recedes.

On amendment No. 511: This amendment is a clerical change inserting in slightly different form matter stricken out by amendment No. 494; and the House recedes.

On amendments Nos. 512 and 513: The House bill provided that manufacturers of tobacco whose annual sales exceed 100,000 and do not exceed 200,000 pounds shall each pay \$24 annually, and that manufacturers of tobacco whose annual sales exceed 200,000 pounds shall pay annually at the rate of 16 cents per thousand pounds or fraction thereof. The Senate amendments do not change the provisions of the House bill as to manufacturers of tobacco whose annual sales are between 100,000 and 200,000 pounds, but provide that where the annual sales exceed 200,000 pounds the manufacturer shall pay annually \$24 and at the rate of 16 cents per thousand pounds or fraction thereof in respect to the excess over 200,000 pounds; and the House recedes.

On amendments Nos. 514 and 515: The House bill provides that manufacturers of cigars whose annual sales exceed 200,000 and do not exceed 400,000 cigars shall each pay \$24 annually, and that manufacturers of cigars whose annual sales exceed 400,000 cigars shall each pay annually at the rate of 10 cents per thousand cigars or fraction thereof. The Senate amendments do not change the provisions of the House bill as to manufacturers of cigars whose annual sales are between 200,000 and 400,000 cigars, but provide that where the annual sales exceed 400,000 cigars the manufacturer shall pay annually \$24 and at the rate of 10 cents per thousand cigars or fraction thereof in respect to the excess over 400,000 cigars; and the House recedes.

On amendment No. 516: This amendment changes the basis of computing the tax on yacht users from net to gross tonnage; and the Senate recedes.

On amendment No. 517: The House bill exempted from the special tax on users of yachts and motor boats those used exclusively for trade or national defense. The Senate amendment extends the exemption to those used exclusively for fishing; and the House recedes.

On amendments Nos. 518 and 519: These amendments are clerical changes; and the Senate recedes.

On amendment No. 520: This amendment provides in case of special license taxes that if the corresponding tax imposed by the revenue act of 1916 was not payable by stamp an amount paid under such act for any period for which the corresponding tax is also imposed by Title X of the bill may be credited against the tax imposed by such title; and the House recedes.

On amendment No. 521: The House bill imposed upon mail-order houses an annual tax equivalent to 1 per cent of the annual gross receipts in excess of \$100,000. The Senate amendment strikes out this tax; and the House recedes.

On amendment No. 522: The House bill imposed a special license tax upon users of automobiles and motorcycles. The Senate amendment strikes out this tax, and the House recedes.

On amendment No. 523: The House bill imposed a tax upon the manufacturer of automatic vending and weighing machines operating such machines equivalent to 5 per cent of the annual gross amount received by the manufacturer from such operation. The Senate amendment strikes out this provision; and in view of the conference agreement under amendment 419 the House recedes with an amendment, which is explained in connection with that amendment.

On amendment No. 524: This section provides a penalty for any person who carries on any business or occupation for which a special license tax is imposed by Title X of the bill without having paid such tax; and the House recedes.

On amendment No. 525: This amendment is a change in section number; and the House recedes.

On amendments Nos. 526, 527, 528, 529, and 530: These amendments are clerical changes; and the House recedes, with a minor clerical change in amendment No. 526.

On amendment No. 531: This amendment provides that the physicians, dentists, veterinary surgeons, and other practitioners who are required to pay a special tax under the Harrison Narcotic Act as amended, in respect to the business of distributing, dispensing, and giving away or administering any of the narcotics specified in that act, shall be only such persons as are in attendance upon patients "in the course of their professional practice"; and the House recedes.

On amendments Nos. 532 and 533: The House bill provided that it shall be unlawful for any person to purchase, sell, dispense, or distribute any of the drugs specified in the Harrison Narcotic Act except in the original stamped package or from the original stamped package, and exempted from this provision the dispensing, administration, or giving away of any such drug to a patient by a registered physician, dentist, veterinary surgeon, or other practitioner in personal attendance upon such patient. The Senate amendments struck out the requirement of personal attendance and confined the exception to cases where the practitioner was acting in the course of his professional practice; and the House recedes.

On amendments Nos. 534 and 535: The House bill repealed all the provisions of section 6 of the Harrison narcotic act, which exempts certain preparations and remedies containing small quantities of narcotics from the provisions of that act, but retained those provisions of section 6 which exempted from the operation of the Harrison Act decocanized coca leaves from which all cocaine has been extracted. Senate amendment No. 534 struck out this provision of the House bill, and Senate amendment No. 535 amended section 6 of the Harrison Act by adding a proviso requiring the keeping of records by the manufacturer, producer, or compounder of the preparations and remedies which under such section are exempted from the operation of the narcotic act. The House recedes from amendment No. 534 and recedes from amendment No. 535, with an amendment (1) retaining section 6 of the Harrison Act with a few verbal amendments, (2) providing more carefully for the keeping of the records provided for in the Senate amendment, and (3) providing that such records need not be kept by the manufacturer, producer, compounder, or vendor of preparations or remedies made out of decocanized coca leaves or other preparations of coca leaves which do not contain cocaine.

On amendments Nos. 536 and 537: These amendments are changes of section numbers; and the House recedes.

On amendment No. 538: The House bill provided that the stamp taxes should take effect on November 1, 1918; the Senate amendment changes this date to April 1, 1919; and the House recedes.

On amendments Nos. 539, 540, and 541: The House bill imposed a stamp tax of 50 cents upon all policies of guaranty and fidelity insurance. The Senate amendments strike out this tax; and the Senate recedes.

On amendment No. 542: The House bill provided that where a premium is charged for the execution of any fidelity or surety bond the stamp tax shall be 1 cent on each dollar or fractional part thereof of the premium charged, and that policies of reinsurance shall be exempt from the tax. The Senate amendment, as a part of the general plan of the Senate bill in taxing insurance, strikes out this provision; and the House recedes with an amendment providing that where a premium is charged for the execution, renewal, or continuance of such a bond the tax shall be 1 cent on each dollar or fractional part thereof of the premium charged, and that policies of reinsurance shall be exempt.

On amendment No. 543: The House bill imposed a stamp tax upon sales, agreements of sale, or agreements to sell products or merchandise at any exchange or board of trade for future delivery. The Senate amendment makes also taxable such sales or agreements made under the rules or usages of any exchange or board of trade for future delivery; and the House recedes.

On amendment No. 544: This amendment imposes a stamp tax of 5 cents on each dollar or fractional part thereof of the premium charged for policies of insurance against peril on the sea or inland waters or in transit by land, or by fire, lightning, tornado, etc., issued to a domestic corporation or partnership, or resident of the United States by any foreign insurer when such policy is not signed or countersigned by an officer or agent of the insurer in the United States in a locality within which such insurer is authorized to do business; and the House recedes with an amendment reducing the rate to 3 cents on each dollar or fractional part thereof of the premium, and exempting such policies from the policy tax imposed by section 503 of the bill.



On amendment No. 545: This amendment strikes out the provisions of the House bill creating an advisory tax board, but the Senate by amendment No. 550 reinserted this matter in a different form at another place; and the House recedes.

On amendment No. 546: This amendment imposes a tax of 10 per cent on the net profits from the operation of (a) any mine or quarry situated in the United States in which children under the age of 16 years have been employed or permitted to work during any portion of the taxable year; or (b) any mill, cannery, workshop, factory, or manufacturing establishment situated in the United States in which children under the age of 14 years have been employed or permitted to work, or children between the ages of 14 and 16 have been employed or permitted to work more than eight hours in any day or more than six days in any week, or after the hour of 7 o'clock p. m., or before the hour of 6 o'clock a. m., during any portion of the taxable year. Such tax is not to apply in the case of an employer relying in good faith upon an employment certificate issued under regulations prescribed by a board composed of the Secretary of the Treasury, the Secretary of Labor, and the Commissioner of Internal Revenue; nor in the case of an employer who satisfies the Secretary of the Treasury that his employment of a child under the prescribed ages was due to an honest mistake of fact as to the age of such child; and the House recedes.

On amendment No. 547: The House bill provided that deputy collectors appointed under the appropriation made by the bill for the expenses of the Internal Revenue Bureau should be appointed under the civil service, as well as all other employees under such appropriation. The Senate amendment permits deputy collectors of a class now outside the civil-service law to be appointed without regard to civil-service requirements; and the House recedes.

On amendment No. 548: This amendment authorizes expenditures for furniture out of the appropriation made by the bill for the expenses of collecting internal-revenue taxes for the current fiscal year; and the House recedes with a clerical amendment.

On amendment No. 549: This amendment authorizes the expenditure of not exceeding \$500 for street car fares in the District of Columbia out of the appropriations made by the bill for collecting internal-revenue taxes for the current fiscal year; and the House recedes.

On amendment No. 550: This amendment provides that not more than \$60,000 of the amount appropriated by the bill for the collection of internal-revenue taxes may be expended for salaries and traveling expenses of members of an advisory tax board, to be appointed by the commissioner, with the approval of the Secretary, and provides that, under rules prescribed by the commissioner and approved by the Secretary, the Secretary or the commissioner may, and on the request of any taxpayer interested shall, submit to the board any question relating to the income and excess-profits tax laws. The House recedes with an amendment substantially reinserting the provisions of the House bill stricken out by amendment 545, providing (1) that the board is to be composed of not to exceed six members, to be appointed by the commissioner, with the approval of the Secretary, at an annual salary of \$9,000; (2) that the board is to remain in existence for two years after the passage of the act, unless the commissioner, with the approval of the Secretary, designates an earlier time for the termination of its existence; and (3) that the commissioner may, and at the request of any taxpayer directly interested shall, refer to the board any question relating to the income, war-profits, or excess-profits tax laws.

On amendments Nos. 551 and 552: These amendments are clerical changes; and the House recedes.

On amendment No. 553: The House bill provided that whenever in the judgment of the commissioner necessary he may require any person by notice served upon him to make a return or such statements as he deems sufficient to show whether or not such person is liable to tax. The Senate amendment strikes out this provision and inserts a provision authorizing the commissioner, with the approval of the Secretary, to require any person, whether liable to tax or not, to file returns of income or such statements as may be deemed by him to be sufficient to show whether or not such person is so liable; and the Senate recedes.

On amendment No. 554: This amendment consolidates and makes administrative changes in the penalty provisions of the bill; and the House recedes.

On amendment No. 555: By this amendment the commissioner may make regulations, with the approval of the Secretary, providing that any return required to be under oath by the provisions of the bill relating to transportation, beverages, tobacco, admissions, excise, or special taxes, may be signed or acknowl-

edged before two witnesses instead of under oath, if the amount of the tax is not in excess of \$10; and the House recedes.

On amendment No. 556: This amendment is a clerical change; and the House recedes.

On amendment No. 557: This amendment provides that where a tax under this act is required to be paid by the purchaser to the vendor at the time of a sale and the sale is made on credit, then under regulations prescribed by the commissioner, with the approval of the Secretary, the tax may at the option of the vendor be returned and paid by him to the United States as if paid to him by the purchaser at the time of the sale, and gives a right of action in such cases to the vendor against the purchaser for the amount of the tax; and the House recedes.

On amendment No. 558: This amendment provides that under regulations made by the commissioner, with the approval of the Secretary, the taxes on beverages, cigars, and tobacco, and the excise taxes shall not apply in respect to articles sold or leased for export and in due course so exported. It also provides that under proper regulations the amount of any internal-revenue tax erroneously or illegally collected in respect to exported articles may be refunded to the exporter instead of to the manufacturer, if the manufacturer waives his claim to refund; and the House recedes.

On amendment No. 559: This amendment is a clerical change; and the Senate recedes.

On amendments Nos. 560 and 561: These amendments are of a clerical and administrative character designed for the relief of persons who have made a contract for the sale of articles taxable under the act before notice of a tax imposed by it, under circumstances under which they can not pass the tax along to the purchaser; and the House recedes from amendment No. 560 and recedes with minor clerical changes from amendment No. 561.

On amendments Nos. 562, 563, 564, and 565: These amendments are clerical changes; and the House recedes.

On amendment No. 566: The House bill provided that certificates of indebtedness and uncertified checks may be received in payment of income, war-profits, and excess-profits taxes. The Senate amendment permits them to be received also in payment of any other taxes payable other than by stamp; and the House recedes.

On amendment No. 567: This amendment amends section 3315 of the Revised Statutes so as to permit the commissioner, with the approval of the Secretary, to issue stamps for restamping packages of wines which have been duly stamped and from which the stamps have been lost by unavoidable accident; and the House recedes.

On amendment No. 568: This amendment is a change of section number; and the House recedes.

On amendment No. 569: This amendment amended section 3689 of the Revised Statutes so that the permanent appropriation provided in that section could be used to pay judgments, including interest and costs, rendered for taxes or penalties erroneously or illegally assessed or collected under the internal-revenue laws, notwithstanding the limitations imposed by the act of June 20, 1874. The House recedes with an amendment repealing that portion of section 3689 of the Revised Statutes relating to the refunding of internal-revenue taxes erroneously or illegally collected, and providing that the Secretary of the Treasury shall submit for the fiscal year 1921 and annually thereafter an estimate of appropriations to refund and pay back duties or taxes erroneously or illegally assessed or collected under the internal-revenue laws, and to pay judgments, including interest and costs, rendered for taxes erroneously or illegally assessed or collected under the internal-revenue laws.

On amendment No. 570: This amendment is a change of section number; and the House recedes.

On amendment No. 571: This amendment is a clerical change; and the House recedes.

On amendment No. 572: This amendment amends sections 3164 and 3165 of the Revised Statutes. Section 3164 of the Revised Statutes provides that if a collector of internal revenue has knowledge of any violation of any revenue law he shall file with the district attorney a statement of the facts of the case within 10 days after coming into possession of such knowledge. The section as rewritten by the Senate makes it the duty of the collector, within 30 days after coming into possession of knowledge of any willful violation of any revenue law, to file a statement thereof with the district attorney, and makes minor clerical changes in that section. The Senate amendment to section 3165 of the Revised Statutes adds internal-revenue agents to the class of officers authorized by that section to administer oaths and take evidence in relation to the administration of the internal-revenue laws; and the House recedes.

On amendment No. 573: The House bill provided a method of making a return or list where any person fails to make such

return or list at the time prescribed by law. The Senate amendment extends the provision to cover cases where a return or list is not made at the time prescribed by regulation made under authority of law; and the House recedes.

On amendments Nos. 574 and 575: The House bill provided that in case of failure to make a return at the proper time there shall be added to the tax 50 per cent of its amount, and if a false and fraudulent return is willfully made there shall be added to the tax 100 per cent of its amount. The Senate amendments reduce these penalties to 25 per cent and 50 per cent, respectively; and the House recedes.

On amendment No. 576: This amendment is a change of section number; and the House recedes.

On amendment No. 577: The House bill provided that if any person is summoned under Title XIII to appear to testify or produce books, the district courts should have jurisdiction to enforce obedience. The Senate amendment extended the provision to cover the case of any person summoned under this act; and the House recedes.

On amendment No. 578: This amendment gives jurisdiction to the district courts of the United States to issue in actions at law and suits in equity certain writs and orders, such as are necessary or appropriate for the enforcement of the provisions of this act; and the House recedes with an amendment confining the jurisdiction of the court to cases where the relief is asked for by the United States.

On amendment No. 579: This amendment is a change of section number; and the House recedes.

On amendment No. 580: This amendment is a clerical change; and the House recedes.

On amendment No. 581: The House bill provided for the acceptance of United States bonds in lieu of sureties on bonds required to be furnished by law. The Senate amendment added provisions for the protection of the United States and mechanics and material men; and the House recedes with a clerical amendment.

On amendment No. 582: The House bill provided for the repeal of any act inconsistent with this act. The Senate amendment specifies a number of acts and parts of acts to be repealed, all of which are incorporated in this bill; and the House recedes.

On amendments Nos. 583, 584, 585, 586: These amendments are clerical changes; and the House recedes.

On amendments Nos. 587 and 588: These amendments are clerical changes; and the Senate recedes.

On amendments Nos. 589, 590, 591, and 592: These amendments are clerical changes; and the House recedes.

On amendment No. 593: This amendment reduces the rate of postage on first-class mail matter, effective July 1, 1919, to the rates in force before the passage of the last revenue act; and the House recedes.

On amendment No. 594: This amendment repeals the zone system for postage for second-class mail matter contained in the last revenue act and substitutes a rate of 1 cent per pound or fraction thereof for delivery within the first and second zones and 1½ cents per pound or fraction thereof for delivery in any other zone, effective July 1, 1919; and the Senate recedes.

On amendments Nos. 595, 596, 597, and 598: These amendments are changes in section numbers, and the House recedes with an amendment making further changes in section numbers.

On amendment No. 599: This amendment provides that all officers and enlisted personnel of the military and naval forces in the war against Germany who have been honorably discharged since November 11, 1918, or who may hereafter be honorably discharged shall be paid one month's salary. The House recedes with an amendment substituting for the Senate provision a section (1) providing that \$60 shall be paid to each person serving in the military or naval forces of the United States in the present war who has since April 6, 1917, resigned or been honorably discharged, or who may hereafter resign or be honorably discharged (within one year after the termination of the war in the case of officers and not later than the termination of the current enlistment in the case of enlisted personnel); (2) providing for the protection of the Government from unjust claims and double payments; (3) providing that this payment in the case of separation from the service before the passage of the act shall be made as soon as practicable after the passage of the act, and in the case of separation from the service after the passage of the act shall be made at the time of separation from the service; and (4) providing that these amounts shall be paid out of the appropriations for "Pay of the Army" and "Pay of the Navy," respectively.

On amendment No. 600: This amendment provides that the so-called "Reed" or "bone-dry" amendment relating to transportation of liquors in interstate commerce shall be made ap-

plicable to the District of Columbia, thus making it unlawful to transport liquors in or out of the District; and the House recedes with an amendment changing the section number.

On amendment No. 601: This amendment provides that every individual, partnership, and corporation which, since the 6th day of April, 1917, has entered into any contract, undertaking, agreement, or transaction with the United States, or with any agency, officer, or commission of the United States, or with any other person, partnership, or corporation having contract relations with the United States, for the performance of any work or for the supplying of any materials or property for the use of or for the account of the United States, shall file with the Commissioner of Internal Revenue and with the Attorney General, within 60 days after the passage of this act, a true and correct copy of every such contract, undertaking, agreement, or transaction, together with a true, accurate, and complete statement of all work and labor performed and materials and property supplied and an account of all moneys or other things of value received, expenses incurred, and profits made and realized from such contract, undertaking, agreement, or transaction.

The House recedes with an amendment providing that (1) every person who on or after April 6, 1917, has entered into any contract, undertaking, or agreement with the United States, or with any department, bureau, officer, commission, board, or agency under the United States or acting in its behalf, or with any other person having contract relations with the United States for the performance of any work or the supplying of any materials or property for the use of or for the account of the United States, shall, within 30 days after a request of the commissioner therefor, file with the commissioner a true and correct copy of every such contract, undertaking, or agreement; and (2) authorizing the commissioner (when not violative of the technical military or naval secrets of the Government) to have access to all information and data relating to any such contract, undertaking, or agreement in the possession, control, or custody of any department, bureau, board, agency, officer, or commission of the United States, and to call upon any such department, bureau, board, agency, officer, or commission for a full statement and description of any allowance for amortization, obsolescence, depreciation, or loss, or of any valuation, appraisal, adjustment, or final settlement made in pursuance of any such contract, undertaking, or agreement.

On amendment No. 602: This amendment makes a change in section number; and the House recedes with an amendment making a further change in section number.

CLAUDE KITCHIN,  
HENRY T. RAINEY,  
LINCOLN DIXON,  
JOSEPH W. FORDNEY,  
J. HAMPTON MOORE.

*Managers on the part of the House.*

The SPEAKER. The gentleman from North Carolina is recognized for one hour. [Applause.]

Mr. LONGWORTH. Mr. Speaker, I ask unanimous consent that the gentleman from North Carolina may proceed until he concludes his remarks.

The SPEAKER. The gentleman from Ohio asks unanimous consent that the gentleman from North Carolina may proceed until he concludes his remarks. Is there objection?

Mr. MANN. I have no objection to the gentleman from North Carolina having all the time he wants, but long observation has taught me that if a man gets permission to proceed until he concludes other Members of the House are apt to take up most of his time. I suggest that the gentleman take what time he likes, and then his time can be extended so far as it may be necessary.

Mr. KITCHIN. Mr. Speaker, I will ask Members of the House not to interrupt me until I have finished my general statement. In that I shall try to include the important differences between the House and the Senate and explain the way in which the conferees composed those differences. After I shall have concluded, if any gentleman then desires to ask me any questions and I have time I will be glad to answer any question I can.

It will be almost impossible, certainly impracticable, for me or anyone to attempt before the House to explain each and every item of difference on each and every amendment that the Senate put on the House bill.

I shall confine my remarks to the important differences and the agreements reached by the conferees. The statement of the managers on the part of the House goes into details as to every single one of the amendments and explains the way in which the conferees disposed of them; and if one would take the statement and the bill in his hands and apply the explanation contained in



the statement to the bill he would have a clear idea of each and every one of the amendments and its disposition.

During the war, in May last, the Secretary of the Treasury and the President of the United States advised and urged that Congress should enact a revenue law that would produce \$8,000,000,000 of revenue for a 12-month period. After three or four months of arduous labor the Committee on Ways and Means presented to the House a bill that would produce \$8,000,000,000 of revenue. The House unanimously passed that bill. It went to the Senate. The Senate Finance Committee proceeded with the consideration of the House bill with a view of raising the \$8,000,000,000. While considering it the war suddenly came to a close; the armistice was signed. The Secretary of the Treasury then addressed a letter to Senator SIMMONS, chairman of the Finance Committee of the Senate, and to myself, as chairman of the Committee on Ways and Means, advising and urging, since the war had ceased and our expenditures would necessarily be reduced, that the bill be modified in the Senate to the extent of reducing for this fiscal year the tax levy from \$8,000,000,000 to \$6,000,000,000, and to provide for tax levies thereafter—that is, after the fiscal year 1919—of \$4,000,000,000 a year.

The Senate Finance Committee at once proceeded to revise the bill with that policy of reduction in view. It finally presented a bill to the Senate that would raise the \$6,000,000,000 for this fiscal year and \$4,000,000,000 for the next fiscal year.

Not only did the Secretary of the Treasury recommend and insist upon that reduction, but the President in his last address before Congress just before departing for Europe advised and urged Congress to adopt the recommendation of the Secretary of the Treasury with respect to such reduction. I have doubted—and I fear that the future will confirm my doubts—the wisdom of such a large reduction as was advised and urged by the Secretary of the Treasury and the President of the United States. This year our expenditures will amount to at least \$19,000,000,000. That is the amount of the Treasury estimates. In my judgment they will amount to at least \$20,000,000,000 for this fiscal year, some \$10,000,000,000 or \$12,000,000,000 less than we would have had to expend had the war continued. The administration, as I before stated, recommended that for this fiscal year the taxes be reduced from the House bill of \$8,000,000,000 to \$6,000,000,000.

How are we going to get this \$19,000,000,000? We can get it in this way, and in this way only: We have received \$7,000,000,000 from the fourth liberty loan. That amount has been expended in our disbursements of this year. Our receipts from war-savings certificates will amount to about \$1,000,000,000. That makes \$8,000,000,000. We propose to get \$6,000,000,000 of revenue from this bill. That makes \$14,000,000,000. And the Treasury Department proposes to issue and sell \$5,000,000,000 more of bonds between now and June 30. These items make up the \$19,000,000,000.

If the expenditures run to \$20,000,000,000, which, in my judgment, they will, the Secretary of the Treasury will have to come to Congress and get a new bond authorization, because the \$5,000,000,000 that he proposes to sell between now and the 30th of June will exhaust the amount of authorizations heretofore made by Congress. He would have to come to Congress and get an authorization for another \$1,000,000,000, or else issue short-time certificates of indebtedness which later would have to be paid by taxes or proceeds of future sales of bonds. The total authorizations of bond issues since our entrance into the war have been \$22,000,000,000 in round numbers. We have sold, in round numbers, \$17,000,000,000, leaving an authorization of \$5,000,000,000.

Now take next year. When the Secretary of the Treasury advised a reduction in the revenues for the following years—that is, for the next fiscal year and the years thereafter—to \$4,000,000,000, his annual report showed that we will require at least \$6,500,000,000 in order to defray the expenditures of the next fiscal year, a difference between the tax bill which he urged and expenditures of \$2,500,000,000. I have not been wrong in my predictions about increased expenditures when I presented bond bills and tax bills heretofore. I make another prediction, that instead of the expenditures next year being \$6,500,000,000 they will be nearer \$10,000,000,000, unless the President and Congress take a firmer hand in reducing appropriations and expenditures than they have heretofore done. Of this, I must confess, I am not very hopeful.

Now, we have a tax bill that will produce, upon the recommendation of the Secretary of the Treasury and the President, \$4,000,000,000 for the fiscal year 1920. Say we receive in addition to the tax levied by this bill from customs and miscellaneous receipts \$500,000,000. An expenditure of \$10,000,000,000 will make a deficit of \$5,500,000,000 in that year. We must get that from bonds. If expenditures are kept down to \$6,500,000,000 we will still have a deficit of \$2,000,000,000. We must get that

from bonds. When we think of the enormous amount of bonds that are already piled up and that will be piled up in the next two years on the American people, which will be a mortgage upon them and their children, upon the energies and industries of the people for generations to come, we can well doubt the wisdom of the policy of making such large tax reductions, especially when the industries, especially the corporations, of the country have made such enormous profits in the last three years. Our industries could stand higher taxes, especially in view of the net loss and inventory reduction provisions in the bill, to which I shall refer later. After you deduct all the taxes that all the corporations of this country have paid or shall have paid for the years 1916, 1917, and 1918, and then deduct the average amount of incomes and profits that those corporations were making for the three prewar years, they will then have, in round numbers, \$10,000,000,000 of clear net profits. In other words, give them first the average net income of \$4,122,000,000, which the corporations were making during the three prewar years, or the total for the three years of \$12,366,000,000. Then add to that every dollar of taxes that they shall have paid under this bill and under all other bills for the years 1916, 1917, and 1918. Then deduct that from the total amount of profits which they made in those years, and they will then have a clear net gain of \$10,000,000,000. In other words, they have made in the three war years a total net profit, after deducting all taxes, of over \$22,000,000,000. That is already made. That is already on the books. That is already piled up in their surplus and increase of capital and new investments. It would not have destroyed the industries of this country if we could have raised a little more tax in this bill. I believe that the farseeing and broad-visioned business man, when he sits right down and looks the question squarely in the face, will conclude with me that it is very doubtful whether we should have made such big reductions in the taxes in this bill, inevitably resulting in a longer permanent mortgage by bonds on the energies and industries of business.

We all know that there must be a transition period from war conditions to peace conditions, and in that time of transition there will be shrinkages in values, shrinkages in inventories. There will be losses, but the Senate initiated and the conferees, I think, have perfected provisions that will take care of industries that are going to have these net losses and the shrinkage of inventories on account of the transition period. With this taken care of, the industries could have stood a little more tax. I fear that instead of our bonded indebtedness being \$25,000,000,000, as at the end of this fiscal year, it will be nearer \$30,000,000,000 at the end of the next fiscal year. A bonded indebtedness of \$30,000,000,000 is going to mean an annual interest charge of about \$1,275,000,000, which must be paid by annual taxes. Such annual interest or tax charge is twice as much as the total amount of taxes we collected a year from all sources before the European war began. If we deduct the interest which we hope and propose to get from the allies for the \$8,500,000,000 which we have and shall have loaned them by the end of this fiscal year, which will amount to about \$400,000,000, you see that we will still have to raise between \$800,000,000 and \$900,000,000 of annual taxes to pay the interest if we continue to issue bonds.

There has been a great propaganda to defeat this bill and let the existing tax law remain. If so, that means \$2,000,000,000 to \$3,000,000,000 more of bonds to pile up on top of this \$28,000,000,000 or \$30,000,000,000 and more interest charges each year.

If this propaganda had succeeded in getting the conference committee or the membership of this House or the Senate to defeat this bill, of course that would reinstate the existing law, and under it the war profiteers in this country for the year 1918 would escape \$1,700,000,000 of taxes. If any man shall vote against this bill with the idea that the taxes in it are too high, or whatever his reason or pretext, with the result of its defeat and the continuance of existing law, then he will vote to take from the Treasury, to take from the pockets of the people, from the toil and sweat and energy of the people, \$1,700,000,000 and give it to the war profiteers, whom I have shown you have had billions and billions of dollars of profit in addition to all the profits they were making before the war. If any man votes against this bill with the idea of reinstating the old law, he is voting to give the United States Steel Corporation out of the pockets of all the people, out of the Treasury of the United States, \$165,000,000, because that is the difference which the United States Steel Corporation, based upon the profits of 1917—we have not the figures for those of 1918—would have to pay under this bill and under the existing law. If there be one Member who proposes to vote against this bill with the idea of reinstating the old law, he will be voting to give the Standard Oil Trust Companies of the United States \$20,000,000, adding that much more to their fabulous profits. He will be voting to

give the Bethlehem Steel Co. \$10,000,000. He will be voting to give the Utah Copper Co. \$5,000,000. He will be voting to give the five big meat-packing companies, the meat-packing combine, over \$16,000,000 to add to their war profits. These are the differences between what this bill will levy upon them and what the existing law levies upon them. There are 20 corporations in this country that alone would save \$240,000,000 out of their enormous war profits by the defeat of this bill. The defeat of this bill would lose to the Government over \$200,000,000 of taxes on whisky and beer. Gentlemen, under existing conditions no man can afford to vote against this bill with the idea of continuing the existing law.

The Senate reduced the tax levy from \$8,000,000,000 to \$6,000,000,000 for this fiscal year. It cut down not so much the individual income tax and the war-profit tax of the House bill—they remain practically the same—but it cut down the excise and special taxes; that is, special taxes levied on articles of the various industries. It reduced the individual income tax for the fiscal year 1919 about \$50,000,000 and reduced the corporation income tax about \$119,000,000 for the same year, and reduced the excess-profits taxes from the provisions of the House bill down to 30 per cent on the net income in excess of the deduction and not in excess of 20 per cent of the capital invested, and 60 per cent on all of the net income over 20 per cent of the invested capital.

The House bill had it 35 per cent on all of the net income in excess of the deduction and not in excess of 15 per cent of the invested capital, and 50 per cent on the amount of the net income between 15 and 20 per cent of the invested capital, and 70 per cent on the amount of the net income in excess of 20 per cent on the invested capital. In the general reductions the Senate followed the recommendation of the President and the Secretary of the Treasury.

The Senate and the conferees retained the war-profit tax of 80 per cent on war profits over and above the deduction.

The conferees accepted the Senate 30 per cent rate in the first bracket and increased the rate in the second bracket to 65 per cent for the calendar year 1918. But for the year beginning January 1, 1919, the Senate reduced the excess-profits taxes in the first bracket to 20 per cent and the second bracket to 40 per cent, which is a pretty large reduction. That was on account of the recommendation of the President and the Secretary to reduce the total taxes to \$4,000,000,000. The conferees accepted this reduction.

Though the 80 per cent war-profits tax is eliminated for the next fiscal year—since there are no war profits for 1919–20—the conferees put in a provision extending the 80 per cent war-profits tax over into the calendar year 1919 to catch the profits that are derived in 1919 from war contracts made in 1918 and 1917, so that the war profiteers will not get off with 80 per cent eliminated after January 1, 1919. They will receive some income during 1919 from war contracts made between the beginning of the war and the signing of the armistice, November 11. The conferees, Senate and House, were unanimous in the opinion that this should be done. The 80 per cent tax will, under this provision, apply to such income.

I ought to say here that the Senate followed the method and policy of taxation, and practically the subjects of taxation, of the House bill. There were only three exceptions in which they departed widely and adopted an entirely new policy of taxation. These exceptions were the estate tax, the insurance tax, and capital-stock tax. After a full and free discussion in conference the policies of the House bill in these instances were adopted with some modifications, to which I will call attention later.

The House had a provision known as the differential corporation tax. We had a differential of 6 per cent. The House bill provided that corporations should pay 12 per cent on so much of

the amount of the net income as does not exceed the sum of (1) the amount of dividends paid during the taxable year plus (2) the amount paid during the taxable year out of earnings or profits in discharge of bonds and other interest-bearing obligations outstanding prior to the beginning of the taxable year plus (3) the amount paid during the taxable year in the purchase of obligations of the United States issued after September 1, 1918, and 18 per cent on the remainder of the net income retained in the business. When we put in the 18 per cent provision the war was on, and the Government needed all the money it could reasonably and justly get. The individual income tax being so heavy, there would be a tendency in the corporation not to pay dividends but to pile them up in a surplus so that the stockholders in the high surtax class could escape liability to taxation. As I said, we needed all the money we could reasonably and justly get at that time to vigorously prosecute the war. But now the importance of this differential is not as great as during the war.

The Senate struck out the differential, and the House conferees agreed to the Senate amendment with an amendment increasing the corporation income tax rate on corporate income for years succeeding 1918 from 8 to 10 per cent. That will make a difference—an increase—of about \$150,000,000 a year in the taxes.

The normal income tax on individuals for 1918 is kept at 12 per cent, like the House bill, with the split differential of 6 per cent up to \$4,000 of net income in excess of the specific exemption. But under the policy of reducing the taxes to \$4,000,000,000 after January, 1919, the Senate cut down the normal tax on individuals to 8 per cent, with the split differential of 4 per cent, and the House conferees agreed to that.

The surtaxes are practically and substantially like the House only there are more brackets and slightly different rates are made. The House yielded to the Senate provision on the surtaxes. The Senate rates on surtaxes are practically the same as the House up to a \$10,000 income—in fact there is not more than \$15 difference in the tax between the House bill and the Senate bill to a man who earns \$6,000, \$7,000, \$8,000, or \$10,000, but from \$10,000 up to \$200,000 there is some difference between the rates—the Senate rates being lower.

For instance, a man having an income of \$12,500 under the House bill would pay \$1,320 and under the Senate bill \$1,235. You see there is quite a difference at once after you leave the \$10,000 income. A man making \$20,000 would pay under the House bill \$2,895 and under the Senate bill \$2,630. A man making \$50,000 a year would pay under the House bill \$12,495 and under the Senate bill \$11,030. A man making \$80,000 a year would pay under the House bill \$27,295 and under the Senate bill \$23,930. A man making \$100,000 would pay under the House bill \$39,095 and under the Senate bill \$35,030. But when you reach \$200,000 and up there comes another change. At \$300,000 under the House bill a man would pay \$165,095, while under the Senate bill he would pay \$173,030. When you get up to \$1,000,000, under the House bill a man would pay \$647,095 and under the Senate bill \$703,030. A man making \$5,000,000 would pay under the House bill \$3,527,095 and under the Senate bill \$3,783,030, or about \$250,000 more. On the whole, there is a difference of only about \$50,000,000, being the amount which the Senate rate levies on the individual incomes less than under the House bill. So they are, on the whole, substantially the same, the total amount levied under the House bill on individual incomes being \$1,482,000,000 and under the Senate rates \$1,432,000,000.

The following table shows the income taxes upon specified incomes of married persons or heads of families, with no dependents, levied in the United States, United Kingdom, Canada, and France:

Income taxes upon specified incomes of married persons or heads of families, with no dependents, levied in the United States, United Kingdom, Canada, and France.

Income of married persons or heads of families.	United States tax under—						United Kingdom tax.				Canada.		France.	
	Existing law.		House bill.		Bill as passed Senate and agreed to in conference (1918 rates).		Amount.		Rate (per cent.).		Amount.	Rate (per cent.).	Amount.	Rate (per cent.).
	Amount.	Rate (per cent.).	Amount.	Rate (per cent.).	Amount.	Rate (per cent.).	Unearned.	Earned.	Unearned.	Earned.				
\$2,500.....	\$10	0.40	\$30	1.20	\$30	1.20	\$281.25	\$210.94	11.25	8.44	\$10.00	0.40	\$31.25	1.25
\$3,000.....	20	.67	60	2.00	60	2.00	445.31	356.25	14.84	11.87	20.00	.67	50.00	1.67
\$3,500.....	30	.86	90	2.57	90	2.57	568.44	453.75	16.24	12.96	40.00	1.14	72.50	2.07
\$4,000.....	46	1.00	120	3.00	120	3.00	726.56	581.25	18.16	14.53	60.00	1.50	97.50	2.44
\$4,500.....	60	1.33	150	3.33	150	3.33	843.75	675.00	18.75	15.00	80.00	1.78	128.75	2.86
\$5,000.....	80	1.60	180	3.60	180	3.60	937.50	750.00	18.75	15.00	100.00	2.00	160.00	3.20
\$5,500.....	105	1.91	220	4.00	215	3.91	1,237.50	1,081.25	22.50	18.75	120.00	2.18	191.25	3.48



Income taxes upon specified incomes of married persons or heads of families, with no dependents, levied in the United States, United Kingdom, Canada, and France—Continued.

Income of married persons or heads of families.	United States tax under—						United Kingdom tax.				Canada.		France.	
	Existing law.		House bill.		Bill as passed Senate and agreed to in conference (1918 rates).		Amount.		Rate (per cent).		Amount.	Rate (per cent).	Amount.	Rate (per cent).
	Amount.	Rate (per cent).	Amount.	Rate (per cent).	Amount.	Rate (per cent).	Unearned.	Earned.	Unearned.	Earned.				
\$6,000.....	\$130	2.16	\$260	4.33	\$250	4.16	\$1,350.00	\$1,125.00	22.50	18.75	\$140.06	2.33	\$222.50	3.71
\$6,500.....	155	2.38	330	5.08	320	4.92	1,462.50	1,218.75	22.50	18.75	171.50	2.64	253.75	3.90
\$7,000.....	180	2.57	400	5.71	390	5.57	1,575.00	1,312.50	22.50	18.75	203.00	2.90	285.00	4.07
\$7,500.....	205	2.73	470	6.27	460	6.13	1,687.50	1,406.25	22.50	18.75	234.50	3.13	318.25	4.21
\$8,000.....	235	2.93	545	6.81	530	6.63	2,100.00	1,800.00	26.25	22.50	266.00	3.33	347.50	4.34
\$8,500.....	265	3.12	620	7.29	605	7.12	2,231.25	1,912.50	26.25	22.50	297.50	3.50	385.00	4.53
\$9,000.....	295	3.28	695	7.72	680	7.71	2,362.50	2,025.00	26.25	22.50	329.00	3.66	422.50	4.69
\$9,500.....	325	3.42	770	8.11	755	7.95	2,493.75	2,137.50	26.25	22.50	360.50	3.79	460.00	4.84
\$10,000.....	355	3.55	845	8.45	830	8.30	2,625.00	2,250.00	26.25	22.50	392.00	3.92	497.50	4.98
\$10,500.....	385	3.68	920	8.75	905	8.58	2,756.25	2,375.00	26.25	22.50	423.50	4.05	535.00	5.03
\$11,000.....	415	3.81	995	9.05	980	8.71	2,887.50	2,493.75	26.25	22.50	455.00	4.18	575.00	5.10
\$11,500.....	445	3.94	1,070	9.39	1,055	8.94	3,018.75	2,606.25	26.25	22.50	486.50	4.31	615.00	5.17
\$12,000.....	475	4.07	1,145	9.73	1,130	9.10	3,150.00	2,718.75	26.25	22.50	518.00	4.44	655.00	5.24
\$12,500.....	505	4.20	1,220	10.07	1,205	9.45	3,281.25	2,831.25	26.25	22.50	549.50	4.57	695.00	5.31
\$13,000.....	535	4.33	1,295	10.41	1,280	9.79	3,412.50	2,943.75	26.25	22.50	581.00	4.70	735.00	5.38
\$13,500.....	565	4.46	1,370	10.75	1,355	10.13	3,543.75	3,056.25	26.25	22.50	612.50	4.83	775.00	5.45
\$14,000.....	595	4.59	1,445	11.09	1,430	10.51	3,675.00	3,168.75	26.25	22.50	644.00	4.96	815.00	5.52
\$14,500.....	625	4.72	1,520	11.43	1,505	10.89	3,806.25	3,281.25	26.25	22.50	675.50	5.09	855.00	5.59
\$15,000.....	655	4.85	1,595	11.77	1,580	11.27	3,937.50	3,393.75	26.25	22.50	707.00	5.22	895.00	5.66
\$15,500.....	685	4.98	1,670	12.11	1,655	11.65	4,068.75	3,506.25	26.25	22.50	738.50	5.35	935.00	5.73
\$16,000.....	715	5.11	1,745	12.45	1,730	12.03	4,200.00	3,618.75	26.25	22.50	770.00	5.48	975.00	5.80
\$16,500.....	745	5.24	1,820	12.79	1,805	12.41	4,331.25	3,731.25	26.25	22.50	801.50	5.61	1,015.00	5.87
\$17,000.....	775	5.37	1,895	13.13	1,880	12.79	4,462.50	3,843.75	26.25	22.50	833.00	5.74	1,055.00	5.94
\$17,500.....	805	5.50	1,970	13.47	1,955	13.17	4,593.75	3,956.25	26.25	22.50	864.50	5.87	1,095.00	6.01
\$18,000.....	835	5.63	2,045	13.81	2,030	13.55	4,725.00	4,068.75	26.25	22.50	896.00	6.00	1,135.00	6.08
\$18,500.....	865	5.76	2,120	14.15	2,105	13.93	4,856.25	4,181.25	26.25	22.50	927.50	6.13	1,175.00	6.15
\$19,000.....	895	5.89	2,195	14.49	2,180	14.31	4,987.50	4,293.75	26.25	22.50	959.00	6.26	1,215.00	6.22
\$19,500.....	925	6.02	2,270	14.83	2,255	14.69	5,118.75	4,406.25	26.25	22.50	990.50	6.39	1,255.00	6.29
\$20,000.....	955	6.15	2,345	15.17	2,330	15.07	5,250.00	4,518.75	26.25	22.50	1,022.00	6.52	1,295.00	6.36
\$20,500.....	985	6.28	2,420	15.51	2,405	15.45	5,381.25	4,631.25	26.25	22.50	1,053.50	6.65	1,335.00	6.43
\$21,000.....	1,015	6.41	2,495	15.85	2,480	15.83	5,512.50	4,743.75	26.25	22.50	1,085.00	6.78	1,375.00	6.50
\$21,500.....	1,045	6.54	2,570	16.19	2,555	16.21	5,643.75	4,856.25	26.25	22.50	1,116.50	6.91	1,415.00	6.57
\$22,000.....	1,075	6.67	2,645	16.53	2,630	16.59	5,775.00	4,968.75	26.25	22.50	1,148.00	7.04	1,455.00	6.64
\$22,500.....	1,105	6.80	2,720	16.87	2,705	16.97	5,906.25	5,081.25	26.25	22.50	1,179.50	7.17	1,495.00	6.71
\$23,000.....	1,135	6.93	2,795	17.21	2,780	17.37	6,037.50	5,193.75	26.25	22.50	1,211.00	7.30	1,535.00	6.78
\$23,500.....	1,165	7.06	2,870	17.55	2,855	17.73	6,168.75	5,306.25	26.25	22.50	1,242.50	7.43	1,575.00	6.85
\$24,000.....	1,195	7.19	2,945	17.89	2,930	17.93	6,300.00	5,418.75	26.25	22.50	1,274.00	7.56	1,615.00	6.92
\$24,500.....	1,225	7.32	3,020	18.23	2,995	18.19	6,431.25	5,531.25	26.25	22.50	1,305.50	7.69	1,655.00	6.99
\$25,000.....	1,255	7.45	3,095	18.57	3,055	18.35	6,562.50	5,643.75	26.25	22.50	1,337.00	7.82	1,695.00	7.06
\$25,500.....	1,285	7.58	3,170	18.91	3,120	18.63	6,693.75	5,756.25	26.25	22.50	1,368.50	7.95	1,735.00	7.13
\$26,000.....	1,315	7.71	3,245	19.25	3,185	18.95	6,825.00	5,868.75	26.25	22.50	1,400.00	8.08	1,775.00	7.20
\$26,500.....	1,345	7.84	3,320	19.59	3,250	19.27	6,956.25	5,981.25	26.25	22.50	1,431.50	8.21	1,815.00	7.27
\$27,000.....	1,375	7.97	3,395	19.93	3,315	19.57	7,087.50	6,093.75	26.25	22.50	1,463.00	8.34	1,855.00	7.34
\$27,500.....	1,405	8.10	3,470	20.27	3,380	19.89	7,218.75	6,206.25	26.25	22.50	1,494.50	8.47	1,895.00	7.41
\$28,000.....	1,435	8.23	3,545	20.61	3,445	20.21	7,350.00	6,318.75	26.25	22.50	1,526.00	8.60	1,935.00	7.48
\$28,500.....	1,465	8.36	3,620	20.95	3,510	20.53	7,481.25	6,431.25	26.25	22.50	1,557.50	8.73	1,975.00	7.55
\$29,000.....	1,495	8.49	3,695	21.29	3,575	20.85	7,612.50	6,543.75	26.25	22.50	1,589.00	8.86	2,015.00	7.62
\$29,500.....	1,525	8.62	3,770	21.63	3,640	21.17	7,743.75	6,656.25	26.25	22.50	1,620.50	8.99	2,055.00	7.69
\$30,000.....	1,555	8.75	3,845	21.97	3,705	21.49	7,875.00	6,768.75	26.25	22.50	1,652.00	9.12	2,095.00	7.76
\$30,500.....	1,585	8.88	3,920	22.31	3,770	21.81	8,006.25	6,881.25	26.25	22.50	1,683.50	9.25	2,135.00	7.83
\$31,000.....	1,615	9.01	3,995	22.65	3,835	22.13	8,137.50	6,993.75	26.25	22.50	1,715.00	9.38	2,175.00	7.90
\$31,500.....	1,645	9.14	4,070	22.99	3,900	22.45	8,268.75	7,106.25	26.25	22.50	1,746.50	9.51	2,215.00	7.97
\$32,000.....	1,675	9.27	4,145	23.33	3,965	22.77	8,400.00	7,218.75	26.25	22.50	1,778.00	9.64	2,255.00	8.04
\$32,500.....	1,705	9.40	4,220	23.67	4,030	23.09	8,531.25	7,331.25	26.25	22.50	1,809.50	9.77	2,295.00	8.11
\$33,000.....	1,735	9.53	4,295	24.01	4,095	23.41	8,662.50	7,443.75	26.25	22.50	1,841.00	9.90	2,335.00	8.18
\$33,500.....	1,765	9.66	4,370	24.35	4,160	23.73	8,793.75	7,556.25	26.25	22.50	1,872.50	10.03	2,375.00	8.25
\$34,000.....	1,795	9.79	4,445	24.69	4,225	24.05	8,925.00	7,668.75	26.25	22.50	1,904.00	10.16	2,415.00	8.32
\$34,500.....	1,825	9.92	4,520	25.03	4,290	24.37	9,056.25	7,781.25	26.25	22.50	1,935.50	10.29	2,455.00	8.39
\$35,000.....	1,855	10.05	4,595	25.37	4,355	24.69	9,187.50	7,893.75	26.25	22.50	1,967.00	10.42	2,495.00	8.46
\$35,500.....	1,885	10.18	4,670	25.71	4,420	25.01	9,318.75	8,006.25	26.25	22.50	1,998.50	10.55	2,535.00	8.53
\$36,000.....	1,915	10.31	4,745	26.05	4,485	25.33	9,450.00	8,118.75	26.25	22.50	2,030.00	10.68	2,575.00	8.60
\$36,500.....	1,945	10.44	4,820	26.39	4,550	25.65	9,581.25	8,231.25	26.25	22.50	2,061.50	10.81	2,615.00	8.67
\$37,000.....	1,975	10.57	4,895	26.73	4,615	25.97	9,712.50	8,343.75	26.25	22.50	2,093.00	10.94	2,655.00	8.74
\$37,500.....	2,005	10.70	4,970	27.07	4,680	26.29	9,843.75	8,456.25	26.25	22.50	2,124.50	11.07	2,695.00	8.81
\$38,000.....	2,035	10.83	5,045	27.41	4,745	26.61	9,975.00	8,568.75	26.25	22.50	2,156.00	11.20	2,735.00	8.88
\$38,500.....	2,065	10.96	5,120	27.75	4,810	26.93	10,106.25	8,681.25	26.25	22.50	2,187.50	11.33	2,775.00	8.95
\$39,000.....	2,095	11.09	5,195	28.09	4,875	27.25	10,237.50	8,793.75	26.25	22.50	2,219.00	11.46	2,815.00	9.02
\$39,500.....	2,125	11.22	5,270	28.43	4,940	27.57	10,368.75	8,906.25	26.25	22.50	2,250.50	11.59	2,855.00	9.09
\$40,000.....	2,155	11.35	5,345	28.77	5,005	27.89	10,500.00	9,018.75	26.25	22.50	2,282.00	11.72	2,895.00	9.16
\$40,500.....	2,185	11.48	5,420	29.11	5,070	28.21	10,631.25	9,131.25	26.25	22.50				

sioner and ask for a redetermination of its tax for 1918. The commissioner will deduct from the income of \$500,000 as returned for 1918 the \$100,000 loss, leaving \$400,000. Upon the basis of \$400,000 income the 1918 tax will be recomputed, and the difference between the tax paid on the \$500,000 and the tax computed on \$400,000 income will be returned to the taxpayer.

These are two relief provisions in the bill which the House conferees thought were right and proper as modified by the conferees, but there are some relief provisions, especially those known as the mineral, oil, and gas provisions, in this bill that I can not subscribe to, and I reserved the right to say so upon the floor of the House. I can not subscribe to them because I regard them as pieces of special favoritism. Many others do not so regard them. With due respect to my colleagues SCOTT, FERRIS, CARTER, HASTINGS, and the other Oklahoma Members, and some Members from Missouri and other States, who have importuned me and the other House conferees night and day, so long and so often, with respect to these provisions, and have been so urgent that they should remain in the bill, I want to say that, in my judgment, they are unwise, unjust, and unwarranted. But we need not quarrel about them now; they are in the bill. I do not like to take up the time of the House telling what some of these provisions are. One of them provides that when a man discovers a mine or gas or oil field, or an oil or gas well, a prospector or an adventurer, and sells—it makes no difference how much profit he may make, he may put in \$10,000 and make by sale \$1,000,000 profit in five days—his income surtax shall in no case exceed 20 per cent of the selling price, though all other classes of individuals—farmers, merchants, manufacturers, doctors, lawyers, or persons engaged in any other business—if they put in \$10,000 on a proposition and make \$1,000,000 clear profit out of it, whether overnight or in a year, they will have to pay \$583,510 in surtaxes which the bill provides, but the mine, oil, or gas prospector or discoverer under this provision of the bill will pay only \$200,000. There is a similar provision in the case of the war or excess profits tax. When a corporation discovers a mine, an oil field, an oil well, or gas well and sells, it does not make any difference how much clear profit it makes, a hundred per cent or a thousand per cent on the capital invested, its war and excess profits taxes shall not exceed 20 per cent of the selling price, although corporations in every other kind of business making the same profit on the same capital must pay from 30 to 80 per cent tax on their profits.

There is another provision that I did and do not like, which seems to me and to my colleague on the conference committee [Mr. Dixon] is unwarranted and can not be justified, and yet I am afraid I had a majority of the House conferees against me on it. It is that if a corporation has an income from gold mining, no matter how big it is and how large a per cent of profit on its capital invested, it pays no excess-profit tax on it. In other words, if the corporation had \$1,000,000 net income from a gold-mining industry, it would not pay any excess or war profit tax on it, though that income was 100 per cent profit on its invested capital. They had a plausible argument for it. They say that everything has appreciated in value except gold, which has depreciated in value, and that gold-mining machinery and labor and supplies have increased wonderfully; that gold is the world's standard of value and that we ought to encourage its production, and therefore the profit of the gold mines should not bear a war-profit or excess-profits tax. I looked at it in this way, that even suppose the cost of production had increased wonderfully and even if gold had greatly depreciated, as it has, compared with other articles, in spite of all such handicaps if a corporation in the gold-mining business should make 50 per cent profit on its investment, why is it not as able to pay an excess or war profit tax on that as well as a corporation manufacturing shoes and making 50 per cent on a like amount of capital? If such a corporation is able in spite of all handicaps to make as large a per cent as any other corporation, it ought to pay the same tax as a corporation in any other business making the same profits on the same amount of capital; but the gold-mining argument appealed to a majority of the House conferees and the provision went in.

If I had my way, this bill would not have been quite as it is now. But I found on the conference committee five Senate conferees and four other House conferees, and each one of them had a way, too. So I just could not have my way, because they insisted on having their way. But, on the whole, I believe we have got a good bill, as good as five House conferees could make it in conjunction with five Senate conferees. [Laughter.]

I think we have a bill, on the whole, that every patriotic man in the House and Senate can stand for and will stand for, although he will find many provisions in it that he does not

like. We had to give and take. We had to have a bill. If we did not have this bill, we would have had to be content with the existing law, and the war profiteers of this country would benefit just \$1,700,000,000.

Another important difference between the House and the Senate was with respect to consolidated returns. The House bill declared specifically that the corporations having subsidiary corporations should not be permitted to file consolidated returns; that is, combine the capital invested and income of all the subsidiaries and find the capital invested and net income of the group and pay the income tax on that basis, because many large corporations by such method would get out of paying a large amount of taxes. The Senate struck that out and most strenuously contended for consolidated returns. While Dr. Adams, who is chairman of the Advisory Tax Board, stated before the conference committee that there will be very little difference between the taxes that will be paid under consolidated returns and those that would be paid under non-consolidated returns, in my judgment the difference will amount to over \$200,000,000. I found that practically every corporation in this country that had subsidiaries was in favor of the consolidated returns. The Senate conferees were very insistent, and I may say stubborn, upon having the consolidated returns. There was a unique difference between the Senate conferees and House conferees. The two worst things in this bill in our judgment were the two best things in the Senate's judgment. And the two features that I thought ought to be eliminated beyond all doubt were the two features that the Senate conferees were most insistent upon, the oil and gas and mining provision, to which I have referred, and the consolidated-return provision.

It was the unanimous opinion of the conferees of the Senate and the House that while the Senate amendments did not do it, as the House bill did, that the profiteers on Government war contracts should not escape taxation through the several relief provisions in the bill. We protected the Government against them even with respect to the consolidated-return proposition and provided that no corporation organized since August 1, 1914, since the European war began, shall be permitted to make a consolidated return if 50 per cent of its gross income came from gains, commissions, profits, or other income derived from Government war contracts. In such a case the corporation can not file a consolidated return, but it must make a separate return, and its net income and taxes must be computed upon its capital invested and not the investments of some other affiliated company.

It is estimated that there are several thousand of such corporations, most of them war corporations incorporated to take some Government contracts or subcontracts. Some of the subsidiary companies of the big companies organized since August 1, 1914, with a capital of from \$2,000 to \$5,000, will make a profit out of war contracts running from \$2,000,000 to \$12,000,000, and we provided in the House concurring amendment that the Government should be protected against them and that they should pay on their own net income and profits, based on their own invested capital. The conferees put into these relief provisions half a dozen or more provisions excepting these war-contract corporations from their benefit, which the Senate conferees readily agreed to as right and proper.

Mr. LONGWORTH. Mr. Speaker, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. LONGWORTH. Would it embarrass the gentleman to yield to a question in regard to the consolidated returns?

Mr. KITCHIN. No.

Mr. LONGWORTH. I have in mind a certain corporation with an invested capital of approximately \$15,000,000, which organized a subsidiary corporation with a capital of \$1,000, whose profits so far have been in one transaction with the Government; that is to say, the profits of this corporation of \$1,000 capital have been \$1,000,000. I would like to have the gentleman explain how under this proposition that corporation would be taxed?

Mr. KITCHIN. Such a corporation will pay income tax on \$1,000,000 and will have its percentage of profits for the excess and war profits tax computed upon the invested capital of \$1,000. The war-profits tax will be 80 per cent on all profits in excess of 10 per cent of its capital invested plus the specific deduction of \$3,000.

Mr. LONGWORTH. Under the Senate consolidated return provision that company would pay no tax whatever?

Mr. KITCHIN. Very little, if anything. Its return would be consolidated with the parent company and other subsidiaries. In other words, the parent company and this subsidiary company and other subsidiary companies, if any, would make a con-



solidated return, and the total capital and the total income of all would be computed, and the little company would get the advantage of the \$15,000,000 capital invested for purpose of the deduction. Instead of getting about 80 per cent of its net income we would get little, if any, tax.

The Senate provided for quarterly payments of all income and war or excess profits taxes—that is, when the tax return is filed the taxpayer can pay one-quarter of his total tax, and then, three months after the time fixed by law for filing the return, pay another one-quarter of the total tax; then, six months after the time fixed by law for filing the return, pay another one-quarter of the total tax; and nine months after the time fixed by law for filing the return pay the remainder. The conferees agreed to the Senate provision. The House bill authorized the commissioner to extend the time for filing returns whenever, in his judgment, good cause existed for allowing an extension, but provided that except in the case of taxpayers who are abroad that the extension should not exceed two months. The Senate eliminated the two-month limit. The conferees agreed upon a six-month period as the maximum time the commissioner could allow as an extension of time for filing returns, except in the case of taxpayers who are abroad.

The SPEAKER pro tempore (Mr. FERRIS). The time of the gentleman from North Carolina has expired.

Mr. MANN. How much time does the gentleman desire?

Mr. KITCHIN. I want to get through in half an hour.

Mr. MANN. I ask unanimous consent that the gentleman may have half an hour more.

The SPEAKER pro tempore. The gentleman from Illinois asks unanimous consent that the gentleman from North Carolina may proceed for half an hour more. Is there objection?

There was no objection.

Mr. KITCHIN. Now, as to the definition of "invested capital," it is practically the same as the definition in the House bill, with but one exception. The House bill provided that invested capital meant, in the case of tangible property, bona fide paid in for stock or shares, the actual cash value of such property, but in no case to exceed the par value of the original stock or shares specifically issued therefor. The Senate put in a provision, to which the House conferees finally agreed, some of us very reluctantly, that where the taxpayer can show to the satisfaction of the commissioner that the actual cash value of the tangible property at the time it was paid in was clearly and substantially in excess of the par value of the stock issued for it, the real value of the tangible property at the time it was turned over for the shares of stock could be counted as part of the invested capital.

The House bill also specifically provided that "paid-in or earned surplus and undivided profits" should not include the increase in the value of any asset above the original cost until such increase is actually realized by sale. This provision was stricken out by the Senate, and the conferees accepted the amendment, because it was surplusage and merely declaratory of an accepted general principle controlling the whole computation of invested capital.

There were in the Senate amendment several specific relief provisions other than those to which I have heretofore referred, and one section in the House bill, which included several general relief provisions, which we thought was very liberal. The conferees finally agreed that it would be safer and better and do no injustice to the honest taxpayers to strike out all these specific and general relief provisions and have just one general relief provision, which is section 327, paragraph (d), and begins on page 134.

I will read it:

(d) Where upon application by the corporation the commissioner finds and so declares of record that the tax if determined without benefit of this section would, owing to abnormal conditions affecting the capital or income of the corporation, work upon the corporation an exceptional hardship evidenced by gross disproportion between the tax computed without benefit of this section and the tax computed by reference to the representative corporations specified in section 328. This subdivision shall not apply to any case (1) in which the tax (computed without benefit of this section) is high merely because the corporation earned within the taxable year a high rate of profits upon a normal invested capital nor (2) in which 50 per cent or more of the gross income of the corporation for the taxable year (computed under sec. 233 of Title II) consists of gains, profits, commissions, or other income, derived on a cost-plus basis from a Government contract or contracts made between April 6, 1917, and November 11, 1918, both dates inclusive.

The bill provides that in the cases specified in section 327 the tax shall be an amount which bears the same proportion to the net income of the taxpayer, in excess of the specific exemption of \$3,000, for the taxable year as the average tax of representative corporations engaged in a like or similar trade or business bears to their average net income, in excess of the specific exemption of \$3,000, for such year. Under the specific provisions no official had any particular responsibility, and one

could take any case he desired, whether it was an exceptional hardship or not, and make application that the tax should be computed on the basis of representative corporations.

The conferees, as I said awhile ago, as a matter of safety to the Government, without doing any injustice to the taxpayer, in case he is actually entitled to relief, provide that the taxpayer, in order to get relief under this representative corporation section, must apply to the commissioner and must show to the commissioner that it is an exceptional hardship; not that he is making an exceedingly large profit on invested capital and therefore his tax is exceedingly large, but it must be an exceptional hardship owing to the peculiar and exceptional conditions surrounding the taxpayer's business, income, invested capital, and so forth; and the commissioner must find, and so declare of record, that the case is one of exceptional hardship before it can be considered under section 327.

This provision gives a taxpayer only that to which he is entitled, because he ought not to have relief unless, owing to the peculiar situation of his business or capital or income or something, the payment of the tax would be an exceptional hardship upon him without the benefit of the relief provision.

Mr. EMERSON. Mr. Speaker, will the gentleman yield?

Mr. KITCHIN. Let me get through with this first, please. I do not think the House or the Senate will object for one moment to that relief provision taking the place of the others, because it is a safeguard to the Government; and I believe it will save millions and millions of dollars by substituting it for the provisions which the Senate had.

There is one very ingenious provision that the Senate put in, which is a very wise one. It accomplishes what the House intended to accomplish and what its provision substantially would accomplish, but it would not do it in such a skillful and scientific way as will the Senate provision, which the House conferees agreed to, with an amendment excepting from its application the war-contract corporation. The House bill provided that in the case of a corporation the earnings of which are to be ascribed primarily to the activities of the stockholders of the corporation and not to the capital invested, where capital is not a material income-producing factor, the excess-profit tax should not exceed 20 per cent. That would take care of corporations doing the business of architecture, corporations doing the business of insurance agencies, or that had no capital invested, or where whatever little capital was invested was not a material factor that produced the income.

I think the Senate provision is an improvement on that of the House. It describes such corporations as personal-service corporations and provides that they shall be taxed just as partnerships are taxed. If, for instance, such a corporation makes \$100,000 the taxable year, each stockholder will pay income tax on the amount of earnings he would be entitled to if distributed, whether distributed or not by the corporation, as if it were a partnership. I think we can all agree to that provision.

But here is one important thing that the Senate overlooked. Many, and perhaps a large majority of corporations, having cost-plus contracts would come under the personal-service corporation provision of the Senate. In these cases the Government furnished the money or capital. For example, take a corporation that was organized for the purpose of building a cantonment or constructing ships. The stockholders of other corporations would organize a corporation with only a nominal capital, say, of from \$1,000 to \$5,000. It would furnish no money or capital with which to execute the contract. The Government would furnish all. So under the interpretation of the Senate's language these corporations would escape all excess-profits and war-profits taxes. Some of these little thousand-dollar corporations made a million—in some cases several million—dollars profit, one of which the gentleman from Ohio referred to. These would have entirely escaped the excess and war profit taxes. But the House conferees proposed an amendment which protects the Government and compels the cost-plus contract corporations to pay such taxes. The Senate conferees readily agreed to it. Like the House conferees, they favored catching the profiteers under Government war contracts with the excess and war profits taxes and leaving no loophole for escape. We therefore provided that this section should not apply to any corporation 50 per cent or more of whose gross income was received from Government contracts. So we caught all the cost-plus contract gentlemen under that provision, and their corporations pay, as other corporations, the full corporation income and excess and war profits taxes.

I must hurry on. I want now to refer to some important subjects of taxation retained or stricken out of the House bill. The House bill taxes the salary of the President and of the Federal judges, also the salaries of State and municipal officers, and the interest from certain State and municipal bonds. As



I said to the House when the bill was being considered by it, that in my opinion it was doubtful whether we could constitutionally tax the salaries of State and municipal officers or the interest on State and municipal bonds, but I supported the House provision on the floor and gave reasons why it should remain in so that the question might go to the Supreme Court for final determination, and if constitutional we would get several millions of dollars to help win the war. But since the war has been concluded, since the armistice has been signed and the taxes reduced, the Senate struck the provision out. In fact, the Senate also struck out the tax on the President's and judges' salaries, as well as the tax on salaries of State and municipal officers, and the tax on the interest from State and municipal bonds.

The House conferees yielded as to striking out the tax on the salaries of State and municipal officers and the interest from State and municipal bonds, but the Senate conferees yielded to the House provision with respect to the President's and judges' salaries. So that the President's and judges' salaries will be subject to tax like the salaries of all other Federal officers, like yours and mine and like the income of every other citizen of the country. [Applause.]

The automobile-license tax and the tax on gasoline, which were written in the House bill during the war, were stricken out by the Senate. The House conferees yielded.

The provision in the House bill taxing mail-order houses whose gross annual sales exceed \$100,000 was stricken out by the Senate. Its conferees insisted on the amendment. We of the House yielded. We yielded to a great many Senate amendments to the bill in order to get this bill to tax the war profiteers. We feared that some people in the Senate and in the House would like to have some excuse to defeat this bill in order that certain corporations and influential constituents might pay under the present law and thereby escape the war-profits tax.

As I said a few moments ago, this bill as it comes from the conference—and I want the membership of this House to bear this in mind—pursues in the matter of taxation, practically on all subjects, the methods and policies adopted by the House. The Senate did not change the policy or method of the House bill, barring the change of the rate of tax and removal in a few instances of the tax in order to reduce the total amount from \$8,000,000,000 to \$6,000,000,000, except in three instances, and in each of those three instances the Senate adopted an entirely different method and policy of taxation from that in the House bill.

These were with respect to the estate tax, the tax on insurance of all kinds, and the capital-stock corporation tax. The Senate struck out all the provisions in the House bill relating to those three subjects of taxation and substituted an entirely different plan and method of taxation. After considering each one of those propositions for some time the conferees agreed to go back to the House method and policy of taxation in all of them. For the estate tax the Senate substituted what is called a legacy tax, which would collect only \$22,000,000 a year, while the House bill would collect \$110,000,000 the first year and the second year \$140,000,000. The conferees in returning to the House estate-tax method did modify the rate of taxation on estates, and, since the war is over, I think justly so. The House estate tax was entirely too high for peace times, and we reached the very highest limit even in war times. When the conferees agreed to accept the House estate-tax policy we agreed to accept the present existing estate-tax rates on net estates of \$1,500,000 and over. The rates on the net estates under \$1,500,000 will be somewhat lower than the rates under existing law.

Table showing the estate tax rates as agreed to in conference and under existing law.

Amount of net estate (an exemption of \$50,000 is allowed estates of residents of the United States in computing the value of net estate).	Rates on net estates under—	
	Conference agreement.	Existing law.
	Per cent.	Per cent.
Not exceeding \$50,000.....	1	2
Exceeding \$50,000 and not exceeding \$150,000.....	2	4
Exceeding \$150,000 and not exceeding \$250,000.....	3	4
Exceeding \$250,000 and not exceeding \$450,000.....	4	8
Exceeding \$450,000 and not exceeding \$750,000.....	6	10
Exceeding \$750,000 and not exceeding \$1,000,000.....	8	10
Exceeding \$1,000,000 and not exceeding \$1,500,000.....	10	12
Exceeding \$1,500,000 and not exceeding \$2,000,000.....	12	12
Exceeding \$2,000,000 and not exceeding \$3,000,000.....	14	14
Exceeding \$3,000,000 and not exceeding \$4,000,000.....	16	16
Exceeding \$4,000,000 and not exceeding \$5,000,000.....	18	18
Exceeding \$5,000,000 and not exceeding \$8,000,000.....	20	20
Exceeding \$8,000,000 and not exceeding \$10,000,000.....	22	22
Exceeding \$10,000,000.....	25	25

In view of the high estate taxes, inheritance taxes, in the several States, the House conferees thought the rates agreed to were sufficiently high in peace times. There was one other important modification or amendment to the estate-tax provision of the House bill which the conferees agreed to. The House provision did not permit, nor does existing law, exemption from taxation of bequests, legacies, gifts, or devises to charitable, educational, religious, literary, and scientific institutions. That exemption was put into the conference bill. Also we extended the time for the payment of these taxes, which the commissioner could grant, from two years to three years. That is, we gave the commissioner the power, in cases where he thought it was justified, to extend the time for payment to three years. The conference action also exempts from the tax under this bill and the existing law the transfer of the net estate of any decedent who has died or may die while serving in the military or naval forces of the United States in the present war or from injuries received or disease contracted while in such service.

The conference agreement also changes from three years to two years the period of time within which a transfer of a material part of his property by a decedent before his death shall be deemed to have been made in contemplation of death. With these exceptions, and the exception of a few amendments making minor administrative changes, the estate tax is exactly as we passed it in this House, line for line and word for word.

The House insurance tax provisions have been restored in every particular.

The capital-stock tax was stricken out by the Senate and a tax upon the net assets shown by the corporation books was substituted. This, as it was discovered in the conference, would work a great injustice to and a discrimination against many corporations and would get several million dollars of taxes less. After analyzing in the conference the new method proposed by the Senate, it was agreed to restore the capital-stock tax provision just as the House had it.

I will now take up important Senate amendments relating to entirely new matters and the conference action thereon. As I said a few days ago in the House, some of these amendments are entirely without the province of a revenue bill, but being in the bill by the Senate's action the conference had to face and consider them. To the so-called bone-dry amendment, applying to the District of Columbia, the House conferees yielded.

Then there is the extra tax on the income of manufacturers employing child labor. Remembering what took place in the House when the bill went to conference, and the sentiment of the House in favor of that amendment, the House conferees yielded.

To the amendment repealing the additional 1 cent on letter and card postage, the House readily yielded. So that after July 1, 1919, we will not have to pay 3 cents letter postage, but will go back to the old postage rate of 2 cents on letters.

A Senate amendment repealed the existing law as to the zone rates on second-class postage matters, magazines, and papers. The Senate yielded on that, and the zone system will remain just as it is in the present law.

As to the Senate amendment taxing political contributions, the Senate conferees refused to accept the amendment which the House had instructed its conferees to propose and insist upon, striking out the retroactive feature of the Senate amendment and applying the tax only to future contributions. They, therefore, against the protest of some of the House conferees, yielded, and between us I think they, or some of them, wanted to yield. [Laughter.] Some of the Senate conferees declared that they wanted the political-contribution amendment making it retroactive remain in its "original symmetry, purity, and beauty," and they would withdraw the Senate amendment or at once yield, if the amendment striking out the retroactive features was insisted upon. [Laughter.]

As I stated in the House here when we had this matter up about a week ago it was my judgment, it mattered not which motion, whether that of the gentleman from Texas [Mr. GARNER] or that of the gentleman from Missouri [Mr. RUCKER] the House adopted, the Senate was going to have some good reason to yield and not let that provision go into the law. So it will not be in the law.

Now, I come to a very important and very just provision, which the House conferees and Senate conferees very willingly agreed upon. It is in regard to the so-called month's pay to officers and enlisted men in our military and naval forces. When the House conferees read the Senate bill they found a provision giving one month's pay to the officers and enlisted men in the Army and Navy, including the Nurse Corps, but it only applied to those officers and men who had been honorably discharged after November 11, 1918, or who shall hereafter be discharged. It did not give the man any pay who had been dis-



charged prior to the armistice. It gave the officers a month's pay and the enlisted men a month's pay. In other words, it would mean that a colonel would get \$333 when he was discharged and an enlisted man, who had gone right to the front and bared his breast to the enemy's shot and shell, would only get about \$36. We did not think that was the right, fair, and equitable thing to do. This is a bonus; it is a guaranty in the nature of a token of the country's appreciation of and as a tribute to the loyalty, valor, and sacrifices of our men of the Army and Navy, and when we are bestowing such gratuities we feel that the enlisted man was entitled to just as much consideration as the highest general. So the conferees provided that the enlisted man should have the same as an officer—each should have \$60. [Applause.]

We provided, too, that any enlisted man who had been honorably discharged since April 6, 1917, should have this pay or gratuity the same as the man who was discharged the day after November 11, 1918. [Applause.]

I want you to read this provision and see if we did not do the right, fair, and just thing, especially under the present embarrassed financial condition of the Government. Oh, I know some of you gentlemen would like to say 6 months' or 12 months' pay; some would like to say \$500 or \$1,000; but, gentlemen, you underrate the sense of honor and pride and intelligence of the enlisted men in the present Army and Navy. The man, in or out of Congress, who attempts to demagogue for the soldier vote will make a miserable failure. Within the ranks of the private in the Army and Navy are found some of our most intelligent and capable men. Thousands of college or university graduates, hundreds of thousands, through not blessed with a college degree but equally as intelligent and capable, are there; business men, professional men, bankers, farmers, mechanics, many leaving lucrative business, practice, and position are there. The enlisted man of the Army or Navy represents the best type of manhood of every vocation. He stands just as high in character and ability and commands respect just as much in his community as the highest officer in the Army or Navy. [Applause.] He comes from every section and county and town in the United States. I believe the man from your community who went in as a private and came out as a private is as good as the man in my community who went in as a private and came out as a private, and he is as good in every way as any officer in the United States Army or Navy. [Applause.] He knows the immense war debt his Government has incurred. He knows the fabulous amount of bonds already piled upon this and future generations. He knows the enormous amount of taxes being levied. He knows that further bonds and higher taxes must come to enable his Government to pay its war debts and maintain its actual current expenses. He knows that in its present financial straits \$266,000,000, which is required to pay the \$60 granted to each by this bill, is as much as could be expected of his Government at this time.

The SPEAKER. The time of the gentleman has again expired.

Mr. KITCHIN. Give me 10 more minutes, and I will finish in that time.

Mr. MANN. I ask unanimous consent that the gentleman have 15 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Illinois? [After a pause.] The Chair hears none.

Mr. QUIN. Does the gentleman put Army nurses in?

Mr. KITCHIN. Yes; they are in.

Mr. RAMSEYER. What is the amount you provide?

Mr. KITCHIN. Sixty dollars each.

Mr. RAMSEYER. For officers?

Mr. KITCHIN. And men; all alike. We provide here a lump sum of \$60 for each man and officer, and we provide that upon discharge then and there the \$60 is to be paid to him, in addition to every other amount the Government may owe him. We provide, too, that those who shall have been discharged before this act shall be paid their \$60 each just as soon as practicable, which, we hope, it will be immediately upon the application of the discharged soldier setting forth the facts called for by the department.

Now, gentlemen, I have about seven or eight minutes. Does anyone desire to ask me a question?

Mr. PHELAN. Will the gentleman yield just a minute?

Mr. HOWARD. Will the gentleman explain section 55, that was struck out?

Mr. KITCHIN. That is the royalty proposition, which the Senate put in. We all agreed that it should be stricken out. The Senate amendment provided that royalties paid by the Government for inventions used by the War or Navy Department dur-

ing the present war should be exempt from taxation. The House and Senate conferees considered that we ought to make no such exception in the income-tax law. If the Government took a fellow's invention and paid him \$2,000 or \$200,000 royalty a year and it was used during the war, and it was worth \$500,000 or \$1,000,000, the place to get relief was not in a tax bill. He could come to Congress with his claim and present it to the proper committee hereafter.

Mr. EMERSON. Will the gentleman yield to me?

Mr. KITCHIN. I will yield first to the gentleman from Massachusetts [Mr. PHELAN], who was first on his feet, and then to the gentleman, if he desires.

Mr. PHELAN. I took up with the gentleman from North Carolina the luxury tax and pointed out the apparent discrimination. Will the gentleman explain what has been done in that case?

Mr. KITCHIN. The luxury tax was put in the bill by the Ways and Means Committee during the war at the urgent request of the Secretary of the Treasury, not so much to get the tax but to encourage thrift and prevent extravagance. When the armistice was signed I felt, from the views of members of the committee, and many other Members of the House, that I would be safe in saying to Senator SIMMONS, chairman of the Finance Committee of the Senate, which I did, that if the Senate would strike out the luxury-tax section I thought the House or House conferees would concur. The Senate Finance Committee did strike it out. I think it was during the last day's debate in the Senate upon the bill, in the confusion of things and the desire to hurry up and get through with the bill, that the luxury tax was restored to the bill. After it was restored some gentleman in the Senate made a motion to strike out just one or two items—

Mr. PHELAN. Three items.

Mr. KITCHIN (continuing). Relating to clothing and some other wearing apparel, and left in all the other items, such as shoes, hats, shirts, and so forth. Now, as it came to the conferees in that shape the conferees were powerless to remedy the matter, for the reason that the Senate had kept in all the items except clothing at a 10 per cent rate, and the House bill rate was 20 per cent. The conferees could not go below the 10 per cent rate, neither could they eliminate any items to which the Senate had agreed, and the only way we could think of to correct the discrimination was, after the bill became a law, to have a joint resolution to strike out that whole section, including probably the tax on articles made of fur, as they are chiefly wearing apparel. And I hope we can do it.

Mr. CARTER of Oklahoma. I understood the gentleman to say they allow the consolidated returns except in the case of the so-called war-profiteers' corporations.

Mr. KITCHIN. Except corporations organized since August 1, 1914.

Mr. CARTER of Oklahoma. The gentleman understands and knows better than the balance of us the difference between the tax on a small income and on a large income. Now, how do you overcome that preference that would be given to the small income when you do not allow the consolidated returns?

Mr. KITCHIN. I will say that a small corporation, having, say, \$20,000 net income or less, is taken care of specifically in this bill.

Mr. EMERSON. Will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. EMERSON. I wanted simply to say, confirming what the gentleman has said with reference to the private soldier, that there are private soldiers serving in the Army from the city of Cleveland who earned \$10,000 or \$15,000 a year as business and professional men, and earned as civilians, three, four, five, and even six times as much as the captains or the colonel of the regiment in which they served.

Mr. STAFFORD. Will the gentleman yield?

Mr. KITCHIN. I will.

Mr. STAFFORD. Did I understand the gentleman to say the conferees withdrew the excess-profit and war-profit taxes on individuals and partnerships?

Mr. KITCHIN. The Senate agreed to the House provision on that. The House and Senate provisions only made corporations subject to the excess-profits and war-profits taxes.

Mr. STAFFORD. Why was it that individuals or partnerships that had been making large profits out of war contracts should not be taxed like other corporations?

Mr. KITCHIN. Because the surtax, together with the normal income tax, on individual incomes was so enormously high that they would be reached in that way.

Mr. STAFFORD. Has the gentleman compiled any tables showing the amount of revenue that will be derived from the respective titles?

Mr. KITCHIN. The tables are not included in my report, but I will put them in my remarks. Under this bill we will raise for this fiscal year \$6,077,000,000 and for the fiscal year ending June 30, 1920, \$4,184,000,000.

Mr. SNYDER. Mr. Speaker, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. SNYDER. I want to ask the gentleman a question in regard to what the gentleman said about subsequent legislation to take care of the luxury tax. Does the gentleman think that can be brought about in time?

Mr. KITCHIN. Oh, yes. Section 904 does not go into effect until May 1, 1919.

Mr. RAMSEYER. Mr. Speaker, will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. RAMSEYER. I would like to ask the gentleman to state whether the provision affecting the postal zones is changed?

Mr. KITCHIN. The Senate receded on that amendment. The zone system will remain the same as it is under existing law.

Mr. SMITH of Michigan. Is the tax still kept on the sales of jewelry?

Mr. KITCHIN. Yes.

Mr. STAFFORD. Has any change been made in regard to the rate on postal cards?

Mr. KITCHIN. After July 1, 1919, it will be the same as it was before the revenue act of 1917.

Mr. LOBECK. When does the 2-cent postage rate take effect?

Mr. KITCHIN. After July 1, 1919.

In closing, I predict that never again will the Government get along any one year on less than \$4,000,000,000. It ought to be less, however.

If our public indebtedness reaches \$30,000,000,000, which I fear it will by June 30, 1920, it will mean that our annual taxes to pay interest will amount to about \$1,275,000,000; and even if we deduct the interest that we will receive from our loans to foreign governments, we will still have to raise in taxes to pay interest between \$800,000,000 and \$1,000,000,000. I fear that our Army and Navy will cost us annually hereafter in the neighborhood of \$1,000,000,000. Pensions, in one shape or another, and insurance will cost us not less than \$1,000,000,000 a year. It will certainly take another \$1,000,000,000 a year to finance all the other functions of the Government, including all the new things and new functions which the war has and will graft upon it. Besides all the above, a sinking fund must soon be established to retire our war debt.

In conclusion I will repeat what I have before said, our annual expenditure will hereafter be much more than \$4,000,000,000 unless the President and Congress take a firmer and stronger hold on appropriations than they have heretofore. [Applause.]

The estimated revenue receipt tables referred to are as follows:

TABLE 1.—Estimated revenue receipts under H. R. 12863, entitled "A bill to provide revenue, and for other purposes," for a 12-months' period, as reported to the House, as passed by the House, as reported in the Senate, as passed by the Senate, and as agreed to by the conference committee, and receipts for the fiscal year 1918.

	As reported to the House.	As passed by the House.	As reported to the Senate.	As passed by the Senate.	As agreed to by the conference committee.	Fiscal year 1918.
Income tax:						
Individual.....	\$1,482,186,000	\$1,482,186,000	\$1,432,000,000	\$1,432,000,000	\$1,432,000,000	\$2,839,000,000
Corporation.....	894,000,000	894,000,000	775,000,000	775,000,000	775,000,000	
Excess-profits tax.....	3,200,000,000	3,200,000,000	2,400,000,000	2,400,000,000	2,500,000,000	
Estate tax.....	110,000,000	110,000,000	22,000,000	22,000,000	60,000,000	47,453,000
Transportation:						
Freight.....	115,000,000	115,000,000	115,000,000	115,000,000	115,000,000	30,002,000
Express.....	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000	6,459,000
Persons.....	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000	24,306,000
Oil by pipe lines.....	4,550,000	4,550,000	5,000,000	5,000,000	5,000,000	1,433,000
Seats and berths.....	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	2,237,000
Telegraph and telephone.....	17,000,000	17,000,000	17,000,000	17,000,000	17,000,000	6,299,000
Insurance.....	13,000,000	13,000,000	20,000,000	20,000,000	14,000,000	6,492,000
Admissions.....	95,000,000	95,000,000	50,000,000	50,000,000	50,000,000	26,357,000
Club dues.....	8,000,000	8,000,000	3,500,000	3,500,000	3,500,000	2,259,000
Excise taxes:						
Automobiles, etc.....	120,000,000	120,000,000	71,500,000	60,000,000	71,000,000	23,981,000
Jewelry, sporting goods, etc.....	170,000,000	70,500,000	60,000,000	60,000,000	60,000,000	13,866,000
Other taxes on luxuries, at 10 per cent.....	88,760,000	90,000,000	58,750,000	58,750,000	58,750,000	
Other taxes on luxuries, at 20 per cent.....	184,795,000	175,000,000		58,750,000	85,000,000	
Gasoline.....	40,000,000	40,000,000				
Yachts and pleasure boats.....	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
Beverages.....	85,000,000	85,000,000	75,000,000	75,000,000	75,000,000	441,290,000
Stamp taxes.....	32,000,000	32,000,000	31,000,000	31,000,000	31,000,000	17,539,000
Tobacco:						
Cigars.....	65,000,000	65,000,000	46,200,000	46,500,000	46,500,000	30,910,000
Cigarettes.....	165,240,000	165,240,000	115,000,000	115,000,000	125,000,000	66,492,000
Tobacco.....	105,000,000	105,000,000	72,000,000	72,000,000	72,000,000	47,485,000
Snuff, etc.....	9,100,000	9,100,000	6,300,000	6,300,000	6,300,000	4,049,000
Leaf.....			100,000	100,000	100,000	
Floor tax.....	( <sup>1</sup> )	( <sup>2</sup> )	( <sup>3</sup> )	( <sup>4</sup> )	( <sup>5</sup> )	6,281,000
Papers and tubes.....	2,000,000	2,000,000	1,000,000	1,000,000	1,000,000	431,000
Special taxes:						
Capital stock.....	80,000,000	80,000,000	60,000,000	60,000,000	80,000,000	24,996,000
Brokers.....	1,800,000	1,800,000	1,200,000	1,200,000	1,200,000	333,000
Theaters, etc.....	2,500,000	2,500,000	2,100,000	2,100,000	2,100,000	865,000
Mail-order sales.....	5,000,000	5,000,000				
Bowling alleys, billiard and pool tables.....	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	1,086,000
Shooting galleries.....	400,000	400,000	400,000	400,000	400,000	
Riding academies.....	50,000	50,000	50,000	50,000	50,000	
Business license tax.....	10,000,000	10,000,000				
Manufacturers of tobacco.....	170,000	70,000	70,000	70,000	70,000	45,000
Manufacturers of cigars.....	850,000	850,000	850,000	850,000	850,000	379,000
Manufacturers of cigarettes.....	240,000	240,000	240,000	240,000	240,000	115,000
Use of automobiles and motorcycles.....	72,930,000	72,930,000				
Automobiles for hire.....			700,000	700,000	700,000	
Use of motor boats, yachts, etc.....	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	407,000
Total.....	7,178,971,000	7,170,916,000	5,541,460,000	5,615,260,000	5,788,260,000	3,672,847,000

<sup>1</sup> Actual collections since July 1, 1918, indicate that original House bill estimate was too low.

<sup>2</sup> The income and excess and war profits taxes upon insurance companies are estimated to yield \$6,000,000. This amount is included in the estimated yield for income and excess-profits taxes.

<sup>3</sup> Including floor tax.

<sup>4</sup> Reduction from the House bill estimate of \$1,137,000,000 is due to the prohibition and food conservation features of the food stimulation act.

<sup>5</sup> Floor tax not included.



TABLE 2.—Estimated revenue receipts under the existing law and the revenue act of 1918, as agreed to by the conference committee, for the fiscal year ending June 30, 1919, and under the revenue act of 1918, as agreed to by the conference committee for the fiscal year ending June 30, 1920.

	Fiscal year ending June 30—	
	1919	1920
Income tax:		
Individual.....	\$1,432,000,000	\$1,290,000,000
Corporation.....	775,000,000	510,000,000
Excess-profit tax.....	2,500,000,000	1,250,000,000
Estate tax.....	110,000,000	110,000,000
Transportation:		
Freight.....	115,000,000	115,000,000
Express.....	14,000,000	14,000,000
Persons.....	75,000,000	75,000,000
Oil by pipe lines.....	5,000,000	5,000,000
Seats and berths.....	6,000,000	6,000,000
Telegraph and telephone.....	16,000,000	17,000,000
Insurance.....	14,000,000	14,000,000
Admissions.....	50,000,000	50,000,000
Club dues.....	3,500,000	3,500,000
Excise taxes:		
Automobiles, etc.....	50,000,000	75,000,000
Jewelry, sporting goods, etc.....	41,200,000	60,000,000
Other taxes on luxuries, at 10 per cent.....	14,500,000	58,000,000
Other taxes on luxuries, at 20 per cent.....	20,000,000	85,000,000
Gasoline.....	250,000	1,000,000
Yachts and pleasure boats.....	450,000,000	75,000,000
Beverages.....	31,000,000	31,000,000
Stamp taxes.....		
Tobacco:		
Cigars.....	43,000,000	46,500,000
Cigarettes.....	108,500,000	125,000,000
Tobacco.....	61,000,000	72,000,000
Snuff, etc.....	6,000,000	6,300,000
Leaf.....	20,000	100,000
Papers and tubes.....	1,000,000	1,000,000
Special taxes:		
Capital stock.....	80,000,000	80,000,000
Brokers.....	1,000,000	1,200,000
Theaters, etc.....	2,000,000	2,100,000
Mail-order sales.....		
Bowling alleys, billiard and pool tables.....	1,900,000	2,500,000
Shooting galleries.....	100,000	400,000
Riding academies.....	10,000	50,000
Business license tax.....		
Manufacturers of tobacco.....	50,000	70,000
Manufacturers of cigars.....	640,000	850,000
Manufacturers of cigarettes.....	180,000	240,000
Use of automobiles and motorcycles.....		
Automobiles for hire.....	350,000	700,000
Use of motor boats, yachts, etc.....	1,000,000	1,000,000
Floor stock tax.....	50,000,000	
Total.....	6,077,200,000	4,184,510,000

Mr. FORDNEY. Mr. Speaker and gentlemen, I am going to be very brief. I am going to occupy but very little time. The gentleman from North Carolina [Mr. KITCHIN] asked me to say that the change in the postal rates takes effect July 1 instead of July 11, 1919.

There are only a few things that I want to mention. First of all let me say this bill is a much better bill now than when it passed the House first. There are many amendments that have been made in the Senate and in conference that, in my opinion, make the bill more equitable and just to the taxpayers. There are some inequalities in the law which are hard to remedy. It can not be done easily. The tax upon a corporation or a partnership with large capital is very difficult to adjust so that the corporation and the partnership with the same amount of capital and the same volume of business and the same amount of profits shall pay the same amount of tax. It is very difficult to draw this or any other law to put them in two classes, namely, the corporation and the individual, and yet have the tax paid by each the same.

I believe the provision in the law, as now agreed to, relating to oil and gas wells is equitable. A prospecting company might go on for several years prospecting and losing money. All at once they strike a well, a good flow of oil or gas. They can only use as capital the money invested in that particular well, not the money used by the corporation for several years past. Consequently their deductions are not equitable and just, as compared with those of other corporations, so that when a profitable well has been discovered the limitation is 20 per cent on the selling price of that particular well.

I know of a particular instance where a firm had gone and spent \$600,000 in prospecting for oil in Oklahoma. At last they struck a very valuable flow of oil and were offered \$600,000 for that property. They could not sell because, as the bill passed the House, they would be taxed 80 per cent of their entire proceeds from that sale except what money was expended on that particular property. Therefore they could not sell at all, although the law as it now stands before the House, in my opin-

ion, is equitable and just, much more so, at least, than the original provision as the bill passed the House.

Now, as to the cost-plus contracts. The cost-plus contractors of the country made profits because of the war. There is no question about that. In many instances the capital was only a nominal sum and the profits very great. I know of a single instance where the capital invested was \$25,000 and the profits during the year 1918 were \$1,150,000.

Another case was called to my attention. I believe the gentleman from Ohio [Mr. LONGWORTH] spoke to-day of a subsidiary company, with \$1,000 capital, whose profits were \$1,000,000. Those were the men that the committee wished to bring within the limits of that dragnet and impose heavy taxes upon them, because those profits were made out of the war, and the taxpayer must pay it.

Now, let me show you what that does with the subsidiary company with \$1,000 capital invested and \$1,000,000 profit. I know of an instance where practically no capital was invested and where \$3,600,000 profit was made. I want to get that fellow, and this bill does get him. Here is what happens to the firm with \$1,000 capital and \$1,000,000 profit: First of all it is entitled to a 10 per cent deduction on the capital, which is \$100, plus \$3,000, or \$3,100 from a million dollars, which leaves \$968,900, on which an 80 per cent tax applies, which amounts to \$775,120. Deducting that war tax from the total of \$1,000,000 leaves \$224,880, from which the normal tax is deducted of 12 per cent, or \$26,985.60, making a total tax upon that corporation of \$802,105.60. Out of the \$1,000,000 profit, on \$1,000 capital, the firm still has \$178,200, or 178 per cent on the capital invested.

Mr. SMITH of Michigan. Mr. Speaker, will the gentleman yield for a question?

Mr. FORDNEY. Certainly.

Mr. SMITH of Michigan. Is it not true that under the cost-plus contract the contractor is also allowed to include this tax that he pays?

Mr. FORDNEY. In answering the gentleman let me say there were some contracts drawn by the Government that were construed by me and other members of the committee as exempting the contractor from all taxes paid. In other words, there was language in the contract that said all taxes paid should be a part of the cost. Therefore if the courts construe a contract of that kind to mean that the Federal tax paid shall be a part of the cost, then the man who pays that tax gets his taxes back and his per cent of profit, 5, 7, or 10 per cent, whatever it may be, on those taxes paid. That is bad law.

Mr. SMITH of Michigan. Yes; that is bad.

Mr. FORDNEY. I obtained that information from testimony given before a Senate committee. I gave the name of the firm, the date of the contract, and the number. However, it was said that the Government did not intend to include the Federal tax in that provision. But there is the language in the contract.

Mr. JONES. Mr. Speaker, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. JONES. What was the purpose of excluding trading corporations from the benefit of the personal-service corporation provision? I see you put them in as one of the exceptions, and cost-plus contractors as the other.

Mr. FORDNEY. Trading corporations?

Mr. JONES. Yes; why should they be exempted?

Mr. FORDNEY. If I am correct, a trading corporation means a sort of cooperative concern, where a portion of the business is done for the stockholders of that corporation, and yet they carry on a part of the business in trade, and so on. Now, where the business is carried on for no other purpose except the handling of the goods of the people who make up the association, there is no tax on that part of their business.

Mr. JONES. Would that cover a concern which was selling cottonseed cake on commission, for instance?

Mr. FORDNEY. No; I think not.

Mr. JONES. In other words, if it were purely a personal-service corporation it would be entitled to the benefits of the personal-service corporation exemption. If I read this exception correctly, they would not get the benefit of it, because they would be a commission house.

Mr. FORDNEY. They would be considered as a commission house, and I do not think they would come in under that provision.

Now, when the bill passed the House we had in it a tax of 2 cents a gallon on gasoline. There were 2,200,000,000 gallons of gasoline used in the country last year, and a tax of 2 cents per gallon would yield a revenue to the Government of \$44,000,000 if the same amount of gasoline was used in 1918 as was used in 1917. In the reduction of the volume of taxes in the bill that

item was stricken out, because gasoline has become a thing of such common use by everybody.

There was much said in the committee about the amount of compensation, or bonus, as it was called, to the soldiers who served in this war. I believe that every Member of this House and of the Senate feels that he wants to be generous to the poor boys who went to the battle front and helped win this war. Those boys suffered great hardships and great dangers. Many came back with one arm, with one leg, or without any legs or without arms. A physician told me the other day that he found a man out here in the hospital with both arms and both legs off. The people of this country can not do too much for those poor fellows. The people of the country remained at home and enjoyed good beds and good tables to sit down to, in no danger, enjoying all the comforts of life, while these boys were over there defending the Stars and Stripes, and God knows we owe them a debt that we never can repay. [Applause.] I wanted to yield more to the soldier boys than was finally agreed upon—\$60 flat to everybody. What does this amount to, though, my friends? These items run up to an enormous sum. Sixty dollars to each soldier will call for a contribution of \$266,000,000. It is a mere bagatelle in comparison to the services rendered. One year's pay was suggested by some men—one year's pay at \$30 a month for the men in the field—but that would amount to \$1,596,000,000 in money.

Mr. LANGLEY. Will the gentleman yield there?

Mr. FORDNEY. Yes.

Mr. LANGLEY. Does not the gentleman think we could take \$500,000,000 out of the naval appropriation bill and double this amount for the soldiers? Would not that serve a much better purpose than to proceed to build a lot of ships that will not be finished for several years?

Mr. FORDNEY. I had much rather economize in ways where we can economize and give this money to these beloved boys. [Applause.]

Mr. LANGLEY. I think the gentleman is entirely right, and I think we ought to do it if there is any way to do it while we are considering this subject.

Mr. FORDNEY. We are going to take care of those boys. [Applause.] I have spent some time of late trying to prepare a bill to present to this House, and to my happy surprise I find there is existing law by which those boys who have lost arms or legs or have been disabled can, at the expense of the Federal Government, be sent to school and educated in some line—in medicine, in law, in electricity, in mechanical engineering, or any course chosen by the soldier—and receive an income from the Federal Government of not less than \$65 per month while receiving that education, and in addition thereto the family is entitled to the allotments and allowances as under existing law during the time of his schooling.

Mr. LANGLEY. That is very true and that is right, but how about the man who has lost his job, even though he did not lose an arm? What is he going to do while all this unemployment exists?

Mr. FORDNEY. I am not alarmed about employment for the poor fellows when they come back. What I am anxious about now is to see the immediate discharge of the soldiers in the camps in the United States. [Applause.] Let them go home, where they want to go. They came forward like brave men at the call of their country. They were anxious to render assistance. Our Government accepted them quickly. Now, for Heaven's sake let them go home.

It has been suggested that we are going to have one grand parade of soldiers in this city before they are mustered out. My boy wants to go home and your boy wants to go home, and they do not care a baubee about marching down Pennsylvania Avenue for some officer to bow and scrape and say "How do you do; you have done well, my boys," so that afterwards we can go down to the movies and see the picture of that fellow bowing and scraping. That is all there is to be derived in the way of benefit from such a parade. [Applause.]

Mr. CANNON. Will the gentleman yield?

Mr. FORDNEY. I take pleasure in yielding to my friend from Illinois.

Mr. CANNON. As I understand, this bill carries \$60 to be paid to every soldier?

Mr. FORDNEY. Yes.

Mr. CANNON. Whether he has been injured or not?

Mr. FORDNEY. Yes.

Mr. CANNON. And that is in addition to the compensation for the loss of limbs, and so forth?

Mr. FORDNEY. Oh, yes.

Mr. CANNON. And that is in addition to the care for the families and dependents of the soldiers?

Mr. FORDNEY. Yes; in addition to everything he is entitled to under existing law. This is in addition to everything.

Mr. CANNON. Including the vocational education?

Mr. FORDNEY. Yes.

Mr. CANNON. I am very glad that that provision is made. However, the great mass of soldiers who come back and the great mass of those who supported them will pay cheerfully, in addition to compensation the like of which was never made by any government in the tide of time, and I am glad of it.

Mr. GALLIVAN. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. GALLIVAN. Will the adoption of this \$60 bonus preclude any additional legislation along the line of granting a bonus?

Mr. FORDNEY. Oh, no.

Mr. GALLIVAN. If another bonus is granted will this \$60 be paid as well? Sixty dollars is a measly amount to pay to our soldiers. I want to vote a really substantial recognition of their work.

Mr. FORDNEY. The \$60 will be paid whether there is any suggestion for another bonus following this or not.

Mr. GALLIVAN. I may say, if the gentleman will excuse me for a moment, that I want to vote for this bill, although my present intention is not to vote for it because of the very small pittance which has been given the soldier. I have a six months' pay bill introduced here, and I was wondering if this provision would preclude the consideration by Congress of that six months' pay bill. I am anxious to have Congress give the soldiers and sailors, and the nurses, too, the equivalent of six months' pay.

The gentleman will again pardon me if I remind him that in the last deficiency bill passed by this House we are covering back into the Treasury, because of the sudden and unexpected ending of the war, practically \$15,000,000,000, thanks to our boys. [Applause.] They finished the job they undertook in quick time, and we can afford to give them a better deal than this bill provides.

Mr. MADDEN. Will the gentleman yield?

Mr. FORDNEY. Certainly we can.

Mr. MADDEN. I see that the Agriculture Committee has provided for an additional billion dollars as compensation to the farmer to maintain the price of wheat during the year 1919-20. The Railroad Administration had placed to its credit \$500,000,000 when the Government took the railroads over. They have lost \$216,000,000 in the operation of railroads within a year. They are now asking for \$750,000,000 more to tide them over for another year. The Post Office Department has taken over the telegraph and telephone wires, and as a result of that they will be compelled to tax the telephone and telegraph users large sums to prevent loss. Now, if we can afford to maintain the extravagant expenditures provided for in the items I have indicated, is it not of infinitely more importance and more decent to pay additional compensation or bonus to the men who offered their lives to save the country?

Mr. FORDNEY. I agree with the gentleman.

Mr. MADDEN. Is not \$60 a measly sum to give them?

Mr. FORDNEY. I agree with the gentleman that the \$60 is a very small pittance, but the best we could get in conference.

Mr. GALLIVAN. A mere tip.

Mr. FORDNEY. I was much in favor of a larger sum. The sum the gentleman mentions as the guaranty for the price of wheat in the country will be paid; that was a guaranty made by the Government.

Mr. MADDEN. But this is a new guaranty.

Mr. FORDNEY. As an inducement to the farmer to raise more wheat at any cost to supply the hungry people of the world.

Mr. LEVER. And the farmer raised it.

Mr. FORDNEY. He raised it and the Government is going to carry out its contract. [Applause.]

Mr. MADDEN. But they propose to make a new contract.

Mr. FORDNEY. The Government took over the railroads and the gentleman's figures of the amount lost during Government control do not correspond with my own. I obtained from the Committee on Appropriations this information, that the first year the loss to the Federal Government for their meddling with the railroads was \$755,000,000. But we are like the man in the hollow log that has the bear by the tail, he does not dare to let go just now. [Laughter.]

Mr. STEENERSON. Will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. STEENERSON. The gentleman is aware of the fact that, although the Government guaranteed that price of wheat last year, the Food Administration reports that they will come out of the guaranty without any loss.



Mr. FORDNEY. I understand so, and I hope so.

Mr. STEENERSON. And that the next year does not indicate a loss of a million.

Mr. FORDNEY. I do not know how we can be called upon to pay a billion dollars and pay it and not lose some money. I do not know how or where the Government is going to get it back.

Now, let me go a little further. The Government has taken over the steamships and, with all due respect for my good friend from Pennsylvania, they came very near taking over the canals. [Laughter.]

Mr. MOORE of Pennsylvania. That would have been the cheapest investment they could have made.

Mr. FORDNEY. I respect you, my good friend. [Laughter.]

Mr. MOORE of Pennsylvania. I want to say, if the gentleman will permit, that they propose now to take another \$200,000,000 out of the Treasury for good roads, whereas \$100,000,000 taken out for canals would have put us in business for years.

Mr. FORDNEY. The gentleman is correct, as he sometimes is. [Laughter.] The Government took over the steamship lines. Less than two weeks ago the Government notified the Merchant & Miners Transportation Co., whose steamships they had taken over, an old established transportation company doing business on the Atlantic coast, that they were going to return them. When the Government took that company's ships it took some \$600,000 of money then in that company's treasury. Last week the Government notified that transportation company that it was going to give them back the ships without any money. The Government is not only not paying the company for the use of its ships, but is keeping the money it took out of the treasury of the company. That is Uncle Sam for you and Government ownership.

Mr. LOBECK. Mr. Speaker, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. LOBECK. Is not the great loss in the administration of railroads largely due to the increased wages paid to every man employed?

Mr. FORDNEY. Partially so.

Mr. LOBECK. Is not that the largest item?

Mr. FORDNEY. The power vested in the Interstate Commerce Commission controlled the incomes of the railroads, fixed the maximum rates that the roads could charge for freight and passenger service. The railroad companies for several years had been appealing to the Interstate Commerce Commission to give them higher freight rates and higher passenger rates, but that was continuously declined by the Interstate Commerce Commission. The Interstate Commerce Commission fixed the income of the railroads, but did not control the outlay; but a political body, the Congress of the United States, came in to help out the situation and said to the railroad companies, through the Adamson bill, "You must advance your wages," and they did it without any increase in their incomes. When you put a corporation or an individual or any business between one body in the Government fixing your income and another body fixing your outlay you are between the devil and the deep blue sea, and you will land with one or the other, and either of them is enough to destroy you. The minute the Government took over the railroads it saw that the income of the railroads was not sufficient to meet the necessary expenses in the increased wage scales and the upkeep of their lines, in betterment, in equipment, in the maintaining of their roads, and the Government immediately advanced the passenger rates 50 per cent and advanced the freight rates 25 per cent. In 12 months, upon the basis of the income of the railroads for passenger fares—\$800,000,000, which was the income for 1916—50 per cent would mean \$400,000,000. Two billion four hundred million dollars was collected in freight by the railroads of this country in 1916. An advance of 25 per cent in their rates means \$600,000,000 in 12 months' increase in their income, and the estimated increase of those two things—passenger fare 50 per cent and freight rates 25 per cent—would mean an increase in income of \$1,000,000,000.

Now, in answer to your question, the increase in the wages which was made retroactive beginning the 1st of January, 1918, amounts only in round numbers to about \$300,000,000. Where is the balance of that billion dollars which they should receive in an increased income? There is a loss of \$750,000,000. For the first six months of 1917 the profits of the railroads of this country were a fraction over \$565,000,000, and for the first six months of 1918, under Government ownership, the loss was over \$300,000,000, making a difference of more than \$800,000,000 for the first six months under Government control, as compared with the corresponding six months of the year before. That is Government ownership for you, something that some of you seem so much in favor of.

Mr. HARDY. Mr. Speaker, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. HARDY. Does not the gentleman recognize that if we pursue the policy of diverging and going into every other thing under the sun, as we have been for the last 15 minutes, not discussing the measure before the House, that we can not get through with the measures that we ought to pass during this session?

Mr. FORDNEY. My friend, I am anxious to get all bills through Congress to avoid an extra session of Congress. I have been doing my duty. I have worked faithfully since the 6th day of June on this devilish bill, and I am only going to take about five minutes more in explaining my views upon it, although it is to take from the people \$6,000,000,000 in money. Do you think I am filibustering?

Mr. HARDY. Mr. Speaker, will the gentleman permit one observation?

Mr. FORDNEY. Yes.

Mr. HARDY. I do not think the gentleman courted this diversion. I think he wanted to discuss the bill. I merely rose to call attention to the fact that this starting off after Tom, Dick, and Harry, and every other issue under the sun, is prolonging this session and endangering the possibility of doing what we should do. The gentleman knows that if answers were attempted to be made to all of these chargeful questions we would take all the balance of this term discussing immaterial matters.

Mr. FORDNEY. I have said all I want to say about the Government ownership of railroads, and have put my stamp of disapproval upon it or anything else controlled by the Government as against private ownership.

Mr. HARDY. That has nothing to do with this bill.

Mr. MOORE of Pennsylvania. Mr. Speaker, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. MOORE of Pennsylvania. Does not the gentleman think that it approaches the point of impertinence, after the majority leader has spent nearly three hours discussing this bill, when every Republican is prepared to hasten its passage and to vote upon it, for anyone to rise and suggest that a gentleman, the ranking member of the committee on the Republican side, who has devoted 10 months of his time to the bill, should be shut off in the midst of one of the important points covered by the bill?

Mr. FORDNEY. Oh, I believe the gentleman from Texas was kindly in his suggestion. He is a very dear friend of mine.

Mr. MOORE of Pennsylvania. I suggest that sometimes a great deal of buncombe comes from those who do not watch things quite so closely as do those upon the committee.

Mr. MANN. Mr. Speaker, will the gentleman yield?

Mr. FORDNEY. Yes.

Mr. MANN. Did the gentleman consider this point in reference to the payment of \$60 to the discharged soldiers? The provision in the bill reads:

and in the case of separation from the service after the passage of this act shall be paid at the time of such separation.

Did the committee consider how long that would delay demobilizing the Army?

Mr. FORDNEY. No; the committee had no information as to when those men would be discharged.

Mr. MANN. The committee must know that after the passage of this act, which does not take effect until the day of its passage, the Army can not give an honorable discharge to any soldier in the service unless it is prepared at the time to pay him the \$60 extra.

And, as in many cases probably they will not be prepared to pay this \$60, they will not grant the discharge. That will be the only way out of it.

Mr. FORDNEY. I will say to the gentleman the bill provides, as I understand it, for the payment of this \$60 from the time the law takes effect to all who were discharged from that time on, and information comes from the War Department that those who are already discharged would be paid just as quickly as the machinery would permit.

Mr. MANN. I understand. I did not refer to that; but, considering the fact that the law now requires soldiers shall be paid monthly, and that we know of innumerable cases in France where they have not been paid in many months, what will the department do about this sort of a regulation?

Mr. FORDNEY. Well, all we can do is to say that when a man is discharged they shall pay this sum anyway. That is about as far as the committee could go in framing the law.

Mr. GARNER. Will the gentleman yield?

Mr. FORDNEY. I will.

Mr. GARNER. I want to ask the gentleman, in view of the statement made by the gentleman from North Carolina [Mr.



KITCHIN], if he does not think it will be necessary to have additional revenue in order to run the Government for the next fiscal year?

Mr. FORDNEY. I do. I gave some figures here yesterday of the extraordinary expenditures of this Government, and the gentleman will find those figures in the Record of this morning, in which I showed that a few of the extraordinary expenditures of the Government will amount to \$6,795,000,000 extra—not ordinary running expenses of the Government, but those are extras—and that to that must be added other millions, which will bring up the expenses of this Government to, in my opinion, about \$10,000,000,000. Now, we must have more revenue—that is to say, taxes—or we must borrow it from the sale of Government bonds, or we must pass an additional revenue bill, which I believe will be passed in the next Congress.

Mr. EMERSON. Will the gentleman yield?

Mr. FORDNEY. Yes, sir.

Mr. EMERSON. Did the conference committee take into consideration that in the next fiscal year there will not be anywhere near the profits there are in this fiscal year, and unless some miracle happens there will not be any profits at all?

Mr. FORDNEY. My good friend, this was considered by the committee. Every business man knows that the cost of living, that the labor cost, material cost, and other costs are abnormally high at the present time. Adjustments must be made and are being made now where we must get back to normal conditions in the near future. During that reconstruction period, my friend, it is a matter of great seriousness between capital and labor in this country. You can not have a high cost for materials and low cost for labor, you can not have low cost for materials and high cost for labor; labor and the value of the products of that labor must go together up or down. They are up now. They must and will go down, and during that time there will be, as there is now, great unrest in the labor world, in the world over, not only in the United States. On the Pacific coast there is a great strike on at the present time, where this morning's paper states that there are 70,000 workmen on a strike in Seattle and Tacoma, Wash., striking for \$1 an hour. I received a letter from Michigan yesterday from an employer of labor who had closed his factory and wanted to start up and had put out an offer of \$4 a day for labor, and out of 200 employees only 7 accepted and said they were ready to go to work. Wages are abnormal, my friends. In the lumber market in the State of Washington labor is averaging 50 cents to \$1 per hour. Section hands on the railroads in the State of Washington to-day get \$4 per day for an eight-hour day. While that scale of wages lasts, my good friends, the cost of production of every article we consume must and will be high. Therefore I say great unrest now prevails throughout the country, and the Lord only knows when that situation will settle down to normal conditions, but while we are going on this Government has incurred great expenses, great costs upon the people. Much taxes must be collected from the 110,000,000 of the people of this country. We are calling in this bill for \$6,000,000,000 for the calendar year of 1918. It is not a sufficient sum to meet a fair proportion of our costs, to pay our debts, to administer this great Government, and therefore, gentlemen, I will vote for it, and I will be called upon, if the Lord lets me live a few months longer, to vote for additional revenue laws to produce more money in order that we may meet our obligations already incurred. Now, Mr. Speaker, I yield 15 minutes to the gentleman from Pennsylvania [Mr. MOORE].

Mr. FARR. Will the gentleman answer a question?

Mr. FORDNEY. All right.

Mr. FARR. What will this war have cost the Government when these extraordinary expenses to which the gentleman refers are paid?

Mr. FORDNEY. The reports show, down to and including January, 1919, about \$25,500,000,000 as the cost of the war.

Mr. KEARNS. Will the gentleman yield for a question?

Mr. FORDNEY. I will.

Mr. KEARNS. Not in line with what the gentleman talks about, but perhaps the gentleman can give some information. There is a corporation doing business in the State of Ohio. It is not a branch even, but they are doing business also in Canada—

Mr. FORDNEY. Yes.

Mr. KEARNS. But they are not incorporated in Canada, but the Canadian Government licensed them for the privilege of doing business there.

Mr. FORDNEY. Yes. Now, let me say to you, I see the point coming, this law provides that an American citizen doing business in Canada and paying taxes in Canada is also taxed here—

Mr. KEARNS. Yes.

Mr. FORDNEY. And whatever taxes are paid by him in Canada will be deducted from his tax in this country on what his income from the business in Canada amounts to.

Mr. KEARNS. Although in his business in Canada now the profits are brought into this country? All the profits remain in Canada and are used in the operation of the business in Canada.

Mr. FORDNEY. If he is a citizen of the United States, doing business solely in Canada, living in Canada, he is subject to taxes in this country as a citizen of the United States, and on his income in Canada he is taxed there and he is taxed here, but we permit him to deduct from his taxes here whatever tax he pays over there.

Mr. JOHNSON of Washington. And that country does the same in regard to our country?

Mr. FORDNEY. I think the Canadian Government treats our citizens over there the same.

Mr. Speaker, I reserve the balance of my time. [Applause.]

The SPEAKER. The gentleman from Pennsylvania [Mr. MOORE] is recognized.

Mr. MOORE of Pennsylvania. Mr. Speaker, when the big revenue bill came out of the Ways and Means Committee I gave credit for it to the President, the Secretary of the Treasury—Mr. McAdoo—and the gentleman from North Carolina [Mr. KITCHIN], chairman of the Ways and Means Committee. Although 602 amendments were tacked onto the bill in the Senate, and it now comes back through the conferees of the House and Senate extended in length to 362 pages, accompanied by a 94-page conference report, it is still the Wilson-McAdoo-Kitchin bill with a few harbors of refuge not hitherto provided, presumably for deserving taxpayers. As it came to the House originally the bill proposed to raise the taxes from incomes, corporations, war profits, estates, and miscellaneous, about \$8,000,000,000. That was the amount the President, acting as Commander in Chief of the Army and Navy, proposed should be raised by taxation, as the Secretary of the Treasury, Mr. McAdoo, explained in detail in his letter to the chairman of the Ways and Means Committee June 5, 1918. Notwithstanding the President's address to Congress insisting upon taxation along with loans to meet the expenses of war, and his suggestion that the proportion of taxes should be at best one-third, and despite the insistence of the Secretary of the Treasury that \$24,000,000,000 would be spent for the fiscal year ending June 30, 1919, alone, and that \$8,000,000,000 must be raised by taxation, this redraft of the Wilson-McAdoo-Kitchin bill is expected to cut down the sum total to be collected from \$8,000,000,000 to \$6,000,000,000. At least that is the amount which the Treasury experts estimate the bill, as amended, will produce. In view of this attempted reduction of the enormous burdens imposed by the bill it is fair to assume that the administration has reason to ameliorate the wrath of the taxpayers who must pay the war bill, or is reasonably assured that the expenses of war will be speedily reduced.

That the taxpayers—even the remotest of them—are about to sustain their greatest shock no one who has attempted to read this forbidding measure will deny. It carries the greatest monetary burden ever imposed upon any people at any time. That our so-called war expenses—and many offenses have been committed in that name—have been, or are being, so reduced as to justify the administration's attempt to lessen the burden of taxation, I am not prepared to admit.

So recently as January 31 last the efficient and painstaking chairman of the Appropriations Committee, in an earnest effort to show salvage in war expenditures, admitted that we were still spending \$50,000,000 a day and that our monthly expenses up to and including January, 1919, were running over \$1,600,000,000. If that statement is accurate, and no one has dared deny it, then this great revenue bill, over which Congress has labored since the Commander in Chief presented his war demands last April, unprecedented and crushing in effect as it is, will produce much less than will be necessary to meet our war requirements for the short period of four months. It is mighty important we take these significant facts into consideration in connection with the efforts that are being made to show that the country has unlimited credit and that the American people can saddle themselves with the burdens of mankind. It is a fact, patent to anyone who scans the Treasury statements, that our total money supply in the United States is only about \$7,500,000,000. But financiers and Treasury experts like the former Secretary of the Treasury, always cheerful and optimistic, talk of "our Nation's wealth" as a tangible thing. That wealth, as I understand it, is not cash; it is farms, homes, stock; it is something of value which the owner can not always speedily turn into cash even for taxes, so that when under guise of war



hundreds of millions and billions of dollars are asked for by the administration, even though it is not clear that the money is intended for purposes of war, the average citizen may fairly inquire, "Where is this money coming from?" The facts to date are that with about \$7,500,000,000 of money in the country we have fallen back upon "the Nation's wealth" for the more than \$12,500,000,000 we spent for the war up to May 31, 1918—see Exhibit A, Secretary McAdoo's letter to Mr. KITCHIN June 5, 1918—and for the year ending June 30, 1919, we have appropriated more than \$24,000,000,000, as demanded by the Commander in Chief and the Secretary of the Treasury, plus an additional \$7,000,000,000 provided in the deficiency bill, a total of appropriations and authorizations for one year of \$31,000,000,000. To meet this tremendous indebtedness we have had one loan issue of \$6,000,000,000 and taxes returned under existing law amounting to about \$4,000,000,000. If these figures are correct \$21,000,000,000 remains to be accounted for by salvage or repeal of appropriations already made, by additional loans, or by taxes. It is a serious financial situation which cries out above all things else for economy and retrenchment.

And, parenthetically, Mr. Speaker, I have looked at the statement prepared by the clerks of the Appropriation Committees of the Senate and the House, showing a recapitulation of appropriations for 1918-19. They show in that statement that we have appropriated or authorized for this period more than \$36,000,000,000. I mention that because there may be a discrepancy in my statement, due to authorizations being mixed up with appropriations. For the purposes of the argument, however, I am willing to take the official statement of the Committee on Appropriations, showing the total expenses authorized and appropriated to be \$36,000,000,000, and make allowance for the salvage shown here the other day by the chairman of the Committee on Appropriations totaling \$15,000,000,000; but still, according to those figures there would have to be accounted for by loans or taxes the difference between \$36,000,000,000 shown in that statement and the \$15,000,000,000 of salvage claimed by the chairman of the Committee on Appropriations.

Mr. GARNER. Will the gentleman yield?

Mr. MOORE of Pennsylvania. I will.

Mr. GARNER. In view of the statement the gentleman makes, does he not think it a great mistake in not insisting upon the House provisions of the bill in order to collect more money this year than this bill does?

Mr. MOORE of Pennsylvania. I will say to the gentleman I do not believe the \$6,000,000,000 to be raised by this bill, while it may tend to satisfy a popular demand at this time, will be sufficient for the purposes of the administration.

Mr. GARNER. In other words, the gentleman believes that, in order to have more money not only for this fiscal year, but the next fiscal year, you will have to have additional taxes?

Mr. MOORE of Pennsylvania. I am very much inclined to think the gentleman is right.

Mr. GARNER. Does the gentleman consider the present conference report, which, I believe, he signed—

Mr. MOORE of Pennsylvania. I did.

Mr. GARNER (continuing). A better bill than the one that passed the House?

Mr. MOORE of Pennsylvania. I was going to discuss that in the brief statement I have before me. But I will say now that I have not been wholly satisfied in my own mind that the \$6,000,000,000 would meet the requirements of the administration as those requirements were set out by the Secretary of the Treasury before the Ways and Means Committee.

Mr. GARNER. Of course, we have all voted for these appropriations. I am merely getting down to the policy of the gentleman from Pennsylvania.

Mr. MOORE of Pennsylvania. I am taking the judgment of my conferees that \$6,000,000,000 will be sufficient for all administrative purposes for the present, and I am holding those in power responsible for the reduction which has been made.

Mr. GARNER. I think the gentleman is right to hold them responsible, but we are responsible in the last analysis, as the gentleman from Illinois [Mr. CANNON] would say, and especially as the gentleman from Pennsylvania [Mr. MOORE], whom we appointed as one of the conferees to adjust these differences, is responsible. Now, the gentleman from Pennsylvania [Mr. MOORE] or his conferees ought to have insisted on more of the House provisions if he has taken the position that the administration was responsible for them. I think a mistake was made when we reduced it from \$8,000,000,000 to \$6,000,000,000, and I think the gentleman ought to have insisted on getting more money in this bill.

Mr. MOORE of Pennsylvania. The gentleman knows that the "gentleman from Pennsylvania" has been a minority member

of the Ways and Means Committee, a minority member of the conferees, and the gentleman knows how inconsequential that is.

Mr. GARNER. I imagine that the gentleman from Pennsylvania was not entirely in the minority in all questions in the conference.

Mr. MOORE of Pennsylvania. Let me say to the gentleman and for the edification of the House that the President from this rostrum told us we would need a certain amount of money. He indicated that one-third that was raised should be raised by taxation. He was followed up by the Secretary of the Treasury, who came before the Committee on Ways and Means, and who laid before that committee a plan for raising this one-third by taxation, to wit, \$8,000,000,000. And the gentleman from Texas well knows that scarcely a witness of importance came before the Committee on Ways and Means seeking a reduction of taxation who was not reminded by "the gentleman from Pennsylvania" that the President had asked for \$24,000,000,000, and that he expected \$8,000,000,000 to be raised by taxation. Inasmuch as we are spending \$50,000,000 a day, inasmuch as the last monthly statement shows that for January just passed we have spent \$1,600,000,000, inasmuch as that \$1,600,000,000 required for one month would eat up what we need in four months, I question whether this bill is going to raise all the money this administration needs to meet its obligations.

Mr. GARNER. Then I will repeat the query. Although the President of the United States from that rostrum suggested \$8,000,000,000, and so did the Secretary of the Treasury, and we must have the responsibility, why do you say that you and your conferees, realizing that we needed more money than the \$6,000,000,000, did not arrange to get it in this bill?

Mr. MOORE of Pennsylvania. Because the majority was in favor of the bill as it is reported here.

Mr. CANNON. Will the gentleman yield?

Mr. MOORE of Pennsylvania. I yield to the gentleman from Illinois.

Mr. CANNON. If the bill is such as my friend from Texas says, there is a way by which a majority could reject the conference report.

Mr. GARNER. And leave the law as it is, which would leave a little less than \$4,000,000,000 for the next year. The gentleman from Illinois has been here long enough, I am sure, to know that the rejection of the conference report at this time would mean defeat of the bill.

Mr. CANNON. If my friend will allow me further—

Mr. MOORE of Pennsylvania. I yield to the gentleman from Illinois.

Mr. CANNON. If this is inevitable, as the gentleman says, why whine about it? [Laughter.]

Mr. MOORE of Pennsylvania. I think the gentleman from Texas and I can get together on this proposition. I think I know why the suggestion was made to reduce the volume of taxation from \$8,000,000,000 to \$6,000,000,000. There was an uproar throughout the country against the \$8,000,000,000 proposition. The newspapers were quite condemnatory. There was a general outcry that an \$8,000,000,000 bill was going to ruin industries in this country, and that was the one thing on earth that the Secretary of the Treasury and the President did not want to have happen. They did not want to get in bad with the people of the United States on the question of taxation. Therefore, when this hue and cry went up against an \$8,000,000,000 bill the President, being human, was in favor of \$6,000,000,000, to test it out; and I say to the gentleman that while I do not believe the President is going to raise as much money by this bill as he would like to have, still it may have been a wise thing, if not good politics, to have suggested that we can get along with \$6,000,000,000 for the balance of this administration up to the 4th of March, so that the burden of raising this tremendous deficit, this \$21,000,000,000 in the first instance, and the difference between \$36,000,000,000 and \$15,000,000,000 in the second instance, might be left to the incoming Republican Congress. I do not want to have the Secretary of the Treasury or the President or this outgoing Democratic Congress to unload this great job on a Republican Congress. I want to see the Democrats, those in power, work out their own destiny. They spent the money and they should raise it.

Mr. COLLIER. Mr. Speaker, will the gentleman yield?

Mr. MOORE of Pennsylvania. Yes.

Mr. COLLIER. Will the gentleman state some of the specific appropriations for carrying on the war that he was opposed to and did not vote on with us along that line?

Mr. MOORE of Pennsylvania. I do not know just what items I did not vote for with the gentleman. On general principles of political economy I may have voted against certain things, but I think I supported all propositions brought in for carrying

on the war. I voted with the gentleman and in support of the President on the things he said were essential.

Mr. COLLIER. I think the gentleman came forward very liberally and patriotically and supported all the provisions deemed necessary to carry on this war. That being the case, what is the gentleman's complaint now?

Mr. MOORE of Pennsylvania. The gentleman knows that I made no exception in the committee, especially during the hearings, when men of prominence, or even obscure men, if there were any, came before the committee. I told them all that this was cold-blooded business, that sentiment and pretended patriotism would not work with the committee, and that it would not work with me. I told them that they as well as we had incurred these obligations. They had been for the war. They had said, "Stand by the President"; and now they would have to pay. That is what I said, and I said it with uniform regularity, and I say it now. I do not know that this bill will make them all pay.

Mr. COLLIER. I will say to the gentleman that there was no politics in the committee, and all the members of the minority, as well as those of the majority, patriotically came forward and supported every measure that was asked for. I do not see, under those circumstances, why the gentleman should be complaining at this late hour.

Mr. MOORE of Pennsylvania. I do not particularly complain. I was simply stating facts that might edify my large audience. [Laughter.]

Mr. BAER. Mr. Speaker, will the gentleman yield?

Mr. MOORE of Pennsylvania. Yes.

Mr. BAER. The gentleman will recall that he voted with me recently against an appropriation of \$100,000,000 to buy food for the hungry people of Europe, and thus establish a precedent so that when the people of this country are hungry we might be called upon to feed them or feed all the people of the world, and thus end in a proposition that might involve the expenditure of \$1,000,000,000.

Mr. MOORE of Pennsylvania. I voted as the gentleman did against still further burdens on the people of the United States to relieve the people abroad. I did vote against that \$100,000,000 appropriation, and I am happy to say that I have just received a letter from a high officer in the Army of the United States who has been going through France and Belgium and Germany, a man with an excellent record, who read some footnote in a Paris newspaper about my vote on this question, which he commended highly. He tells me the starvation stories from over there are overdone, that many of the people are living well, that they are willing to take everything we will send over, and that they are not crazy about going back to work while we are willing to support them.

Mr. COLLIER. The gentleman says he has received a letter like that from an officer of the United States Army?

Mr. MOORE of Pennsylvania. Yes.

Mr. COLLIER. Has the gentleman any objection to giving his name?

Mr. MOORE of Pennsylvania. I would like to give his name, but I will not. I know enough about Army regulations to know how to keep confidence. At the same time I know that if the court-martial of a favorite for spending \$640,000,000 without getting results in aviation is recommended, he may be white-washed by the Secretary of War. [Applause.] I am not anxious to violate the confidence of those in whom I have placed my trust and who placed their trust in me. I wish the day would come when we could read some of the letters that come to us about conditions in France, in Germany, and in Belgium. I wish I could read personal letters that I have now about the boys sleeping in the mud and dying outside of the city of Brest, in France, but I will not go into that now. I could talk of the life and death of boys who have been obliged to sail upon foreign ships and spend their substance with a commissary organized not under our auspices but the auspices of others, but I shall refrain. I would like to show how they have been herded like cattle in the ships. I would like to show some of the sufferings they have endured. I would like to be able to tell of the manner in which their mail has miscarried, and how some of them were led to believe that they had been deserted by their friends and relatives in the United States. But that is not a part of this discussion.

The SPEAKER. The time of the gentleman from Pennsylvania has expired.

Mr. MOORE of Pennsylvania. Mr. Speaker, I ask for five minutes more.

Mr. FORDNEY. I yield five minutes more to the gentleman.

The SPEAKER. The gentleman from Pennsylvania is recognized for five minutes more.

Mr. MOORE of Pennsylvania. If expenditures in the name of war and a world democracy are not more carefully checked up and scrutinized in the future, no one, not even the financial wizards who have had so much to do with the encouragement of expenditures during the war, can foretell the consequences upon and among the American people, whose sons have made the supreme sacrifice, and who themselves must sustain "the national wealth."

Mr. Speaker, I shall not attempt to discuss the details of this bill. To wander through its pages is suggestive of a journey through the chamber of financial horrors. It is supposed to have come from the Senate simplified and bereft of the supposedly expert and scientific treatment it received before it was presented to the House. Then it was to raise \$8,000,000,000; now, chastened and "made clear," it is to raise \$6,000,000,000. As one of the minority conferees I would not desire to be called upon to attest that these efforts in the interest of clarity were worth the \$2,000,000,000 which it is claimed will be saved to the taxpayers by the changes made. It is a lawyer's bill—an expert's bill—from start to finish. It reflects credit upon the indefatigable industry of the gentleman from North Carolina [Mr. KITCHIN], who knows the remnants of his "baby" better than any other man in Congress, but it is a bill the like of which I fondly hope and pray we may never be called to look upon again.

But the bill is here, changed and amended, loaded up with riders that do not pertain to revenue and which have no rightful place in the measure, and there is no recourse but to act upon it: What shall we of the minority do? Shall we rise against this four months' war provider and smite it? For one I shall vote for it despite its imperfections. As a Member of the House I voted for war. With that vote I assumed my full share of responsibility. That vote was a vote to support the President, who is Commander in Chief of the Army and Navy. The Commander in Chief asked for the money to prosecute the war; the Secretary of the Treasury went over the financial needs in detail. The particular plan of taxation which this bill established is their plan, not mine. If there was graft or waste in this bill so earmarked that we could distinguish it, I would vote to eliminate it; but that is not now the question. If the war was over and we could assure ourselves that any of this tax money is not needed, it might enable me to vote against the bill or for its amendment. But the President is still the Commander in Chief; he has not yet issued his proclamation declaring that a state of war no longer exists. To all financial intents and purposes we are still at war. We must raise money to meet our obligations. Nor can we cease to tax or borrow until peace is finally declared, and perhaps not then. It was what we got into when we got into war. We must support our soldiers and sailors until they are called home. We must provide for the wounded and for the dependents of those who laid down their lives.

Some men say the war is over and we should vote against this bill. They forget that we have obligated ourselves this year for from four to six times the amount of money this bill will produce. Under other circumstances I would gladly vote against this measure, but under the conditions that now prevail I deem it a moral duty to support it. Those who stand prepared to justify their acts in peace or war will not avoid their responsibility in this regard; and as for those who have been profiteering, those who were safe at home making money when red-blooded young Americans were fighting in the trenches and sleeping in the mud of France, who now expect of Congress that they shall be excused from paying a fair share of the Government expenditures they enjoyed, it seems as if we might say, "Get thee behind me, Satan."

Mr. Speaker, I do not like this bill—neither the method nor style of it—but I recognize in it, despite its intricacies, an effort by the administration to live up to its legal and moral obligations. If the enforcement of it will help the American people to better understand the ease, if not the extravagance, with which their money has been spent; if it will tend to promote a better understanding of the manner in which our domestic resources have been applied, with the general world welfare as an altruistic objective, it may bring about an early realization of the great importance of calling a halt and hastening a return to the American normal. [Applause.]

Mr. FORDNEY. I yield five minutes to the gentleman from Oregon [Mr. HAWLEY].

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. FORDNEY. I ask unanimous consent that my time be extended 30 minutes. I have requests for about that much time on this side.



The SPEAKER pro tempore. The gentleman from Michigan asks unanimous consent that his time be extended 30 minutes. Is there objection?

Mr. GREEN of Iowa. Reserving the right to object, why not let the gentleman from Oregon be recognized in his own right?

Mr. FORDNEY. I will yield to the gentleman from Oregon 15 minutes, if that will be sufficient.

Mr. HAWLEY. Mr. Speaker and gentlemen of the House, I have just one purpose in the remarks I am about to make. That is to explain how the corporation income taxes as imposed in the bill, according to the agreement of the conferees, will be computed.

You will remember that the House bill provided that there should be three taxes, and that each corporation should pay out of the three a normal tax, which all should pay, and then a war-profits tax or an excess-profits tax, according to which of the two latter taxes was the higher one on the particular corporation. The Senate has changed this arrangement, consolidating the war-profits tax and the excess-profits tax into one system.

#### AN ILLUSTRATED PRIMER OF THE INCOME-TAX PROVISIONS OF THE WAR-REVENUE ACT.

Mr. Speaker, it is the purpose of these remarks to present plainly in the English of conversation and commerce the income-tax features of the war-revenue act of the Sixty-fifth Congress, chiefly by means of illustrations.

It discusses the income taxes to be paid on incomes for the year 1918.

These taxes are four in number:

Individuals pay—

First, a normal tax (sec. 210); and

Second, a surtax (sec. 211).

Corporations pay—

First, a normal tax (sec. 230); and

Second, a war-profits tax and excess-profits tax (secs. 301-312).

These are the most important features of the bill, since \$4,707,000,000 of the \$6,077,200,000 of the estimated receipts for the fiscal year ending June 30, 1919, or over 77 per cent of its total amount, will be derived from the income taxes.

In the computations given below too great detail has not been attempted but the segregations are sufficient to illustrate the application of the principles upon which such taxes are based. Accuracy in the computations and simplicity in their presentation have been the chief aim.

Supposed returns from individuals and corporations have been used as illustrations, and the purpose has been to present illustrations covering typical cases, and as nearly as possible including all the essential features of each tax without embarrassing the illustrations with multitudes of details.

The adoption of the income-tax amendment to the Constitution prior to the outbreak of the present war was most fortunate. Otherwise it would have been a practically impossible task to have raised over \$6,000,000,000 by taxation and distributed the burden among the taxpayers with any approach to an equitable apportionment of the burden in proportion to ability to pay.

In the preparation of the statements and charts included in these remarks I have had the expert assistance of Mr. John E. Walker, clerk of the Committee on Ways and Means, who has given them a careful examination. I wish to express my sincere appreciation of the valuable assistance he has rendered.

#### Partnerships (secs. 218a and 224).

Partnerships as such do not pay the normal tax or the surtax. But each member of a partnership will pay both the normal tax and the surtax upon his pro rata share of the taxable income of the partnership, whether the earnings have been distributed or not.

#### Personal-service corporations (sec. 218e).

Personal-service corporations, as such, are not taxed under Title II, but the individual stockholders are taxed in the same manner as members of partnerships.

#### INDIVIDUALS.

Individuals pay two kinds of income taxes, but on net income only:

1. A normal tax (sec. 210).

2. A surtax (sec. 211).

Net income (sec. 212) is ascertained by computing the gross income (sec. 213) and subtracting therefrom certain deductions (sec. 214) (but excluding certain items not deductible, sec. 215) and credits (sec. 216).

#### Gross income (sec. 213a).

Gross income (sec. 213a) is the total upon all gains, profits, and income derived from salaries, wages, or compensations,

from professions, vocations, trades, businesses, commerce, sales, or dealings in property, interest, rent, dividends, or securities, or gains from any business transaction, or gains, profits, or income from all sources whatever.

#### Items not included in gross income (sec. 213b).

The following items are not included in the gross income:

Life insurance paid to beneficiaries or to the estate of the insured.

Refund of premiums paid on life insurance.

Value of property acquired by gift, bequest, devise, or descent, but income derived therefrom is included in gross income.

Interest on securities issued by State, Territory, or municipalities or obligations of the United States, under certain restrictions, but a statement of such holdings must be made in the return.

Accident or health insurance or money received under workmen's compensation acts.

Soldiers, sailors, and marines pay income taxes only upon that portion of the compensation received during the period of the war from the Government which is in excess of \$3,500.

#### Deductions (sec. 214a).

Deductions (sec. 214): From the gross income ascertained as above stated there are subtracted the following deductions (sec. 214) arising during the year for which the taxes are paid:

Ordinary and necessary expenses incurred in carrying on the trade, profession, or business.

Interest paid or accrued.

Taxes paid or accrued, except on indebtedness incurred to purchase tax-free obligations other than bonds of the United States issued after September 24, 1917, except income, war-profit and excess-profits taxes levied by the United States, and taxes against local benefits.

Losses sustained and charged off, where not compensated for by insurance or otherwise, under certain limitations.

Debts ascertained to be worthless and charged off during the taxable year.

Allowances for amortization in the case of buildings, equipment, or machinery or other facilities constructed, erected, installed, or acquired on or after April 6, 1917, for the production of articles contributing to the prosecution of the war.

Allowances for losses sustained during the taxable year 1919 from falling inventories.

Reasonable allowance for exhaustion, wear, and tear.

Depletion in the case of oil or gas wells, or other natural deposits, or timber.

Contributions or gifts for religious, charitable, scientific, and educational purposes not in excess of 15 per cent of the net income.

#### Items not deductible (sec. 215).

No deduction shall be allowed for personal, living, or family expenses.

For new building or betterments increasing the value of the property.

For restoring property or making good the exhaustion for which allowance is or has been made.

Life insurance premiums in certain cases.

#### Credits (sec. 216).

Credits allowed in computing net income for the normal tax only (sec. 216).

Credits (sec. 216): There is further subtracted from the gross income the amount of the following credits (sec. 216):

Dividends received from corporations taxed before being distributed.

Interest on obligations of the United States as provided by law and bonds of the War Finance Corporation. See section 213 (4) and section 214 (a) (2).

One thousand dollars for each single person, \$2,000 for each head of family or married persons living together, and \$200 for each dependent child.

#### Dividends.

Amounts received by individuals as dividends from corporations which have paid corporation normal tax prior to distribution are not subject to the normal tax, but are subject to the surtax.

#### CHART I.

#### Net income (sec. 212).

Net income means the gross income as defined in section 213, less the deductions allowed by section 214.

This illustration is taken from the experience of John S. Brown, a thrifty and versatile merchant, doing business in a town of 20,000 people, interested in local business enterprises, buying and selling city and farm property, and lending money.

*Gross income (sec. 213).*

His gross income (sec. 213 (a)) consists of the following items:

Profits as a merchant	\$60,000
Compensation as president of the local water company	3,000
Compensation as manager of the electric-light company	2,000
Profit on sale of city property	3,000
Profit on sale of farm	10,000
Rents from city property	1,000
Rents from farm property	2,000
Interest on money lent	3,000
Dividends from corporation securities	6,000
<b>Total gross income</b>	<b>90,000</b>

*Deductions (sec. 214).*

He is allowed the following deductions (sec. 214) from the gross income ascertained above:

Rent paid for store building	\$5,000
Pay of employees	10,000
Numerous incidental items necessary for the conduct of the business	2,000
State, county, and local taxes for the year 1918	4,000
Loss from fire, less insurance	2,000
Debts ascertained to be worthless and charged off	2,000
Wear, tear, and depreciation	1,000
Gifts and contributions—Red Cross, \$1,000; church, \$600; Y. M. C. A., \$400; college endowment, \$5,000; other contributions, \$1,000	8,000
<b>Total deductions</b>	<b>34,000</b>

*Credits for normal tax only (sec. 216).*

For the purposes of the normal tax only he is allowed the following credits (sec. 216) as a further reduction of the gross income:

Dividends received on corporation on which the tax was paid prior to distribution	\$6,000
Interest on securities issued by public authority (none held).	
\$2,000 as married man living with his wife and \$200 each for 5 dependent children	3,000
<b>Total credits allowed</b>	<b>9,000</b>

CERTAIN ITEMS OF WHICH NO ACCOUNT IS TAKEN IN COMPUTING THE GROSS INCOME.

He received during the year the following sums which are not included in his gross income, and of which no account is taken in computing his gross income (sec. 213 (b)):

Life insurance carried by his father	\$5,000
From bequest of his father	10,000
Refund of premiums on insurance	100
Interest on public or municipal securities (none held).	
From accident and health insurance	1,000

CERTAIN ITEMS FOR WHICH NO DEDUCTION IS ALLOWED.

He is not allowed to deduct these items (sec. 215):

Personal, living, and family expenses	\$4,000
Improvements and betterments, adding to the value of the property	10,000
Repairs compensated for under the wear-and-tear allowance	1,000
Premiums on life insurance inuring to his benefit	1,000

## CHART II.

THE NORMAL TAX TO BE PAID BY JOHN S. BROWN.

Normal tax: We are now ready to compute his normal tax:

Gross income	\$90,000
Deductions allowed	\$34,000
Credits allowed	9,000

Total items to be subtracted 43,000

Net amount subject to the normal tax 47,000

He will pay normal tax on—

\$4,000 at the rate of 6 per cent	240
\$43,000 at the rate of 12 per cent	5,160

Total normal tax 5,400

## THE SURTAX.

The first chart deals with the income taxes paid by individuals. This chart takes the supposed returns made for and the taxes paid by John S. Brown, a merchant in a town of 20,000 people, doing a general mercantile business, buying and selling real estate, city and country, owning a farm and some city property, and having some money at interest. As the income taxes are levied only on net incomes, the important factor, then, in any computation for any individual, it is essential to ascertain what his net income is. Mr. Brown has a gross income under section 213 (a) of the bill on his profits as merchant, of \$60,000; as president of the local water company, \$3,000; as manager of the local electric light company, \$2,000; as a profit on a city property that he bought and sold, \$3,000; as profit on farm property, \$10,000; rent on city property, rent on farm property, interest on loans, dividends from corporation securities, making a total gross income of \$90,000.

The deductions allowed under the bill are the rent on the store building, the pay of the employees, incidental expenses, city, county, and local taxes, loss from fire, insurance, debts, wear and tear in depreciation, gifts, and purchases, making a total of \$34,000. The credits provided in the bill under section 216

and shown in Chart I apply only to normal taxes on the individual and not on the surtax of individuals. So the credits under this section are the dividends from corporations, which he must report in his gross income, but for which he is given credit in the credits, interest on public securities, of which he held none, and, being a married man, living with his wife, he is entitled to a \$2,000 deduction, and, having five children, a further deduction of \$200 for each child, making \$3,000 in all, and a total credit of \$9,000.

Having ascertained the factors necessary to determine what tax you will pay, we will compute the normal tax on Mr. Brown, paid on net income only. The gross income is \$90,000. The deductions are \$34,000, the credits are \$9,000, making a total of \$43,000 to be subtracted from the gross income. Deducting \$43,000 from the \$90,000 it leaves \$47,000 subject to the normal tax. He will pay on the first \$4,000 of this at the rate of 6 per cent, or \$240; he will pay on the remainder of \$43,000 at 12 per cent, or \$5,160; or the total normal tax will be \$5,400.

## CHART III.

SURTAX TO BE PAID BY JOHN S. BROWN.

Surtax: The surtax is computed as follows:

Gross income	\$90,000
Deductions	\$34,000

Credits (not allowed).

Total of items to be subtracted 34,000

Net amount subject to surtax 56,000

## Computation of tax.

On amounts between—	
\$5,000 to \$6,000, or \$1,000 at 1 per cent	\$10
\$6,000 to \$8,000, or \$2,000 at 2 per cent	40
\$8,000 to \$10,000, or \$2,000 at 3 per cent	60
\$10,000 to \$12,000, or \$2,000 at 4 per cent	80
\$12,000 to \$14,000, or \$2,000 at 5 per cent	100
\$14,000 to \$16,000, or \$2,000 at 6 per cent	120
\$16,000 to \$18,000, or \$2,000 at 7 per cent	140
\$18,000 to \$20,000, or \$2,000 at 8 per cent	160
\$20,000 to \$22,000, or \$2,000 at 9 per cent	180
\$22,000 to \$24,000, or \$2,000 at 10 per cent	200
\$24,000 to \$26,000, or \$2,000 at 11 per cent	220
\$26,000 to \$28,000, or \$2,000 at 12 per cent	240
\$28,000 to \$30,000, or \$2,000 at 13 per cent	260
\$30,000 to \$32,000, or \$2,000 at 14 per cent	280
\$32,000 to \$34,000, or \$2,000 at 15 per cent	300
\$34,000 to \$36,000, or \$2,000 at 16 per cent	320
\$36,000 to \$38,000, or \$2,000 at 17 per cent	340
\$38,000 to \$40,000, or \$2,000 at 18 per cent	360
\$40,000 to \$42,000, or \$2,000 at 19 per cent	380
\$42,000 to \$44,000, or \$2,000 at 20 per cent	400
\$44,000 to \$46,000, or \$2,000 at 21 per cent	420
\$46,000 to \$48,000, or \$2,000 at 22 per cent	440
\$48,000 to \$50,000, or \$2,000 at 23 per cent	460
\$50,000 to \$52,000, or \$2,000 at 24 per cent	480
\$52,000 to \$54,000, or \$2,000 at 25 per cent	500
\$54,000 to \$56,000, or \$2,000 at 26 per cent	520

Total surtax 7,010

The surtax is computed on the same amounts, except that he is not allowed to deduct the credits. His gross income is \$90,000; his total deduction is \$34,000. He is not allowed credits provided in section 216. This leaves an amount of \$56,000 upon which the surtax is to be calculated. The surtax begins at \$5,000. He will really pay surtax on \$51,000 only.

## CHART IV.

TOTAL TAX TO BE PAID BY JOHN S. BROWN.

His total tax will be—

Normal tax	\$5,400
Surtax	7,010

Total of taxes 12,410

## CORPORATIONS.

The House bill provided that there should be three income taxes, and that each corporation should pay out of the three a normal tax, which all should pay, and then a war-profits tax or an excess-profits tax, according to which of the two latter taxes was the higher one on the particular corporation. The Senate has changed this arrangement, consolidating the war-profits tax and the excess-profits tax into one system.

Corporations pay two kinds of taxes. They pay on their net income only:

1. A normal tax (sec. 230), and
2. A war-profits and excess-profits tax (sec. 301a).

*Gross income (sec. 233).*

For the purpose of the normal tax, gross income is ascertained in the same manner as that for individuals (sec. 213), with the modifications provided in section 233 for three special cases.

From the gross income so ascertained there is then subtracted the deductions allowed in sections 234, 235, 236, and 238 to determine the net amount upon which the normal tax is to be paid.

The Treasury sheets will contain all the items in detail and with minuteness. It would complicate this explanation and



require a large number of pages even to enumerate all the possible items that are deductible arising out of the various trades, businesses and occupations. I have attempted only the general descriptions.

The items in the report of each corporation will depend upon its own business facts, but each computation will follow the lines in general of the illustrations given below.

For the purposes of these taxes the important factor is to ascertain the net income for the taxable year of 1918, and around the various methods for arriving thereat, for determining the average profits for the years 1911, 1912, and 1913, known as the prewar period, and the definition of invested capital the battle of conflicting opinions rages.

#### *Deductions (sec. 234).*

**Deductions (sec. 234):** The following deductions from the gross income are authorized which arise during the year for which the tax is to be paid:

All ordinary, usual, and necessary expenses paid or incurred in carrying on the business, trade, or occupation.

Interest.

Taxes (except indebtedness incurred to purchase tax-free obligations other than bonds of the United States issued after Sept. 24, 1917) paid or accrued, except income, war-profits or excess-profits taxes, or taxes assessed against local benefits; but the war-profits or excess-profits tax paid by a corporation is deducted from its net income before computing its normal tax.

Losses sustained and charged off and not covered by insurance or otherwise.

Debts ascertained to be worthless and charged off.

Dividends from other corporations which have paid tax thereon.

Allowances for exhaustion, wear and tear of property used in the trade or business.

Allowances for amortization in the case of machinery, buildings, equipment, or other facilities constructed, installed, or acquired on or after April 6, 1917, for the production of articles contributing to the prosecution of the war.

Depletion allowance for oil or gas wells or other natural deposits and timber.

Additions required by law to reserve funds in case of insurance companies, death losses, and annuity payments.

There are other provisions for insurance companies.

Allowances for losses sustained during the taxable year 1919 from falling inventories.

#### *Credits.*

**Credits (sec. 236):** The following credits are also allowed to be deducted from the gross income arising in the year for which the tax is to be paid:

Income from securities issued by public authority and included in the gross income under section 233.

War-profits and excess-profits taxes, for normal tax only.

Special exemption of \$3,000 for war-profits and excess-profits tax.

Special exemption of \$2,000 for normal corporation tax.

Certain credits for taxes paid to other countries. (Sec. 238.)

#### *Items not deductible.*

The same items as for individuals under section 215.

#### *The war-profits and excess-profits tax (sec. 301a).*

It will be necessary to compute these taxes before computing the normal tax, as the amount paid in such taxes is deducted from the net income before computing the normal tax.

The war-profits and excess-profits tax is computed for each corporation. (Secs. 301, 302, 303, 304, 305, 310, 311, and 312.)

This tax has a long name, written in reverse order, as in computing it the excess-profits brackets are computed first, so that it should be called an excess-profits and war-profits tax.

That part of this tax with the long name, which is based upon excess profits, has reference to profits in excess of a net return of 8 per cent on the invested capital for the taxable year, and in addition there is a special exemption of \$3,000.

If the corporation earned less than \$3,000 during the taxable year it is exempt from this tax. There are also other cases enumerated in section 304, in which exemptions may occur.

The excess-profits tax for the taxable year 1918 is computed in the first and second brackets of section 301a, with the deductions provided in section 312.

#### *FIRST BRACKET.*

**First bracket:** The rate of tax in this bracket is 30 per cent of the amount found to be taxable in it. If the net income for 1918 is 20 per cent or more than 20 per cent of the invested capital, the taxable amount is ascertained by finding 20 per cent of the invested capital and subtracting therefrom 8 per cent of the invested capital and also the special deduction of \$3,000. (See Charts V, VI, VII, and others.)

If, however, the net income is less than 20 per cent of the invested capital, then the taxable amount is found by subtracting from the actual income in dollars 8 per cent of the invested capital and the special exemption of \$3,000. (See Chart XVII.)

#### *SECOND BRACKET.*

**Second bracket:** No tax will be levied in this bracket unless the net income exceeds 20 per cent of the invested capital. If the net income does exceed 20 per cent of the invested capital, then the amount taxable in this bracket is found by subtracting from the actual net income 20 per cent of the invested capital, as that part of the income has been taxed in the first bracket. (See Charts V, VI, VII, and others.) The rate of the tax is 65 per cent on the amount found to be taxable in this bracket.

#### *THIRD BRACKET.*

The war-profits tax is computed in the third bracket. It is based upon a comparison of the net income for 1918 with the average net earning for the prewar years of 1911, 1912, and 1913. For a corporation to pay taxes in this bracket its net income for 1918 must considerably exceed its prewar earning—that is, the average earning for the prewar years. This tax is ascertained by subtracting from the net income for 1918 the average prewar earning and a special exemption of \$3,000; and after finding what the amount of this difference is multiply this difference by 80 per cent. Then if the amount obtained by taking 80 per cent of the difference exceeds the combined taxes in the first and second brackets, the corporation will pay in the third bracket; that is, will pay the war-profits tax, and its amount will be found by subtracting the combined taxes of the first and second brackets from the 80 per cent found above. (See Charts V, VI, VII, and others.) But really if a corporation pays in the third bracket, the 80 per cent computed as above is the whole amount of the war-profits and excess-profits tax it will pay. (See Charts V, VI, VII, and others.)

Mr. GREEN of Iowa. Mr. Speaker, will the gentleman yield there?

Mr. HAWLEY. Yes.

Mr. GREEN of Iowa. Perhaps the gentleman will remember that this is the plan that I suggested very early in the consideration of the bill in the committee.

Mr. HAWLEY. Yes. Now, in order to make the method of computing the taxes clear, I have prepared a number of charts:

#### *CHART V.*

##### *Corporation taxes.*

Original invested capital	\$250,000
Capital added in 1918	50,000
Total capital in 1918	300,000
Net income for 1918	150,000
Prewar average earning	50,000

It is necessary to have the above items ascertained in order to compute the taxes on corporations under section 301.

##### *Excess-profits taxes (secs. 301 and 312).*

First bracket, section 301 (a):	
20 per cent of \$300,000	\$60,000
Deductions, section 312—	
8 per cent of \$300,000	\$24,000
Special exemption	3,000
Total deductions	27,000
Amount taxable in first bracket	33,000
Tax in first bracket is 30 per cent of \$33,000	\$9,900

I have taken the case of a corporation whose original capital invested was \$250,000. That is the amount of money it had invested in the business prior to the year 1918. In 1918 it found it necessary to add the sum of \$50,000 to its capital, making its total capital \$300,000 for the year 1918. It had a prewar average earning for the years 1911, 1912, and 1913 of \$50,000 a year. Its net income for the year 1918 is \$150,000. Under the law, we compute these taxes in the following manner: The first is the excess-profits tax. It is computed under sections 301 and 312. The war-profits and excess-profits tax is computed under three brackets—a first bracket, a second bracket, and a third bracket. In the first bracket you will find that the exemptions are to be 8 per cent of the invested capital for the year, plus a flat deduction of \$3,000; and the difference between whatever sum that may amount to in any case, and 20 per cent on the invested capital, is the amount to be taxed in the first bracket. Now, under our specific instance 20 per cent of the invested capital is \$60,000. Then subtract from that 8 per cent of the invested capital, or \$24,000, plus \$3,000 flat exemption, or \$27,000, and there will be left \$33,000 to be taxed in the first bracket. This is taxed at the rate of 30 per cent, and 30 per cent of \$33,000 is \$9,900. That is the tax in the first bracket.

## Second bracket, section 301 (a):

Net income	\$150,000
20 per cent of \$300,000	60,000
Amount taxable in second bracket	90,000
Tax in second bracket is 65 per cent of \$90,000	\$58,500
Total of taxes in first and second brackets	68,400

In the second bracket the tax is computed in a different way. From the net income of \$150,000 there is subtracted 20 per cent of the capital. This 20 per cent is the 20 per cent on which we have already reckoned the tax in the first bracket. Twenty per cent of the invested capital is \$60,000. Subtracting that from \$150,000 will leave an amount to be taxed in the second bracket of \$90,000. The rate of tax in the second bracket is 65 per cent, and 65 per cent of \$90,000 is \$58,500. Now, adding the tax in the first bracket to the tax in the second bracket, we find the total tax of the first and second brackets, or the excess-profit tax, to be \$68,400.

## War-profits tax (secs. 301 and 311).

## Third bracket, section 301 (a):

Net income	\$150,000
Deductions—	
Specific exemption	\$3,000
Prewar average earning	50,000
10 per cent of \$50,000 added capital	5,000
Total deductions	58,000
Remainder	92,000
80 per cent of \$92,000	73,600
Total tax in first and second brackets	68,400
Difference, or tax in third bracket	\$5,200
Total taxes under section 301 (a)	73,600

The third bracket is the war-profits tax. The Senate combined the excess-profits tax and the war-profits tax into one system. The first and second brackets are the excess-profits tax. The third bracket is the war-profits tax, and the taxes under this bracket are computed under sections 301 and 311.

This is done as follows: The net income is \$150,000. The deductions under section 311 are the prewar earnings of \$50,000, the special exemption of \$3,000, and 10 per cent of the \$50,000 capital added during the year, or \$5,000, making a total deduction of \$58,000, which, taken from \$150,000, leaves \$92,000.

The act provides that 80 per cent of the \$92,000 should be ascertained, which is \$73,600. From \$73,600 there shall be subtracted the amount of the taxes in the first and second brackets, or \$68,400, which would leave \$5,200, the tax in the third bracket, and the total of the first, second, and third brackets will make a total tax paid by this corporation under the war-profits and excess-profits tax of \$73,600.

Mr. STAFFORD. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. STAFFORD. That is not quite 50 per cent of the total income of the corporation.

Mr. HAWLEY. No; but that is not all the tax it pays.

Mr. BUTLER. They have to make it before they pay it.

Mr. HAWLEY. Yes. If the gentlemen will note, if the corporation must pay in the third bracket—and that will be determined by the rate of profit which is made during the year in comparison with the rate of profit in the prewar period—if it must pay in the third bracket, it is not necessary to compute the first and second brackets, because if we compute the third bracket and take 80 per cent of the amount left after the deductions are subtracted, we obtain the sum of \$73,600, which is the amount we found due here as the total of the three brackets.

If the corporation's rate of earning was insufficient to put it into the third bracket, then the amount of tax will be ascertained by the computations in the first and second brackets.

## Normal corporation tax (secs. 230 and 236).

The normal corporation tax is computed at the rate of 12 per cent on the difference between the net income for 1918 and the war-profits and excess-profits tax and a \$2,000 special exemption. That is, from the net income subtract the war-profits and excess-profits taxes and \$2,000 and take 12 per cent of the remainder. See any chart.

Net income	\$150,000
Deductions, section 236:	
Taxes under section 301 (a)	\$73,600
Specific exemption	2,000
Total deductions	75,600
Net taxable amount	74,400
12 per cent of \$74,400 is the normal tax, or	\$8,928
Total of all taxes to be paid by this corporation	82,528
Or 55 per cent of its net income for the year.	

Having ascertained what it must pay under section 301 of the bill, we now compute the corporation tax commonly referred to as the normal tax, as provided in sections 230 and 236.

It is computed in this way: The net income of \$150,000 is taken, and from that is deducted, under section 236, the amount of taxes paid under section 301—\$73,600—and then a special exemption of \$2,000, making a total deduction of \$75,600, which, taken from \$150,000, leaves the net taxable amount \$74,400. The corporation or normal tax is 12 per cent of this \$74,400, so that the normal tax will be \$8,928.

Add \$8,928 to the amount ascertained in the three brackets of \$73,600, making a total tax that this corporation will pay on this statement of facts of \$82,528, or 55 per cent of the net income. [Applause.]

Mr. STAFFORD. Will the gentleman yield?

Mr. HAWLEY. I will.

Mr. STAFFORD. The deduction is that in all corporations where the net income paid is one-half of the capital invested, the percentage that they will pay under this bill is 55 per cent, and as the income is greater in proportion naturally the percentage increases?

Mr. HAWLEY. The gentleman must take into consideration what the prewar earning was, because that affects the computation in the third bracket.

Mr. FORDNEY. What percentage of original invested capital does it permit the taxpayer to have net—\$45,000 on \$250,000?

Mr. HAWLEY. He will have \$67,472 left.

Mr. FORDNEY. About 18 per cent.

Mr. HAWLEY. Twenty-two per cent. He will have \$67,472 left, after subtracting \$82,528 from the net income.

Mr. FORDNEY. Twenty-two per cent; well, he could live on that until spring if he is economical.

Mr. STAFFORD. The chairman of the committee, in reply to an inquiry, stated the reason why the House conferees receded from the Senate provision leaving these excess-profit taxes of individuals in partnership was because the income tax almost equaled that provided for the corporation. Can the gentleman give the House what rate of tax would be on the individual and partnership doing business with like earnings?

Mr. HAWLEY. I will insert a chart at the conclusion showing the amount of taxes paid by an individual as compared with that paid by a corporation on the same statement of facts. I desire to revise a certain primer I formerly prepared and to include computations and explanations concerning all the income-tax features.

Mr. WINGO. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. WINGO. Is it true according to the gentleman's computation that the corporation, after paying the total tax, has still \$17,000 more war profits than it had during the prewar year?

Mr. HAWLEY. After the tax is paid here, if my subtraction is correct, \$67,472 is left.

Mr. WINGO. That gives him \$67,500?

Mr. HAWLEY. Yes.

Mr. WINGO. And he made \$50,000 in the prewar period?

Mr. HAWLEY. Yes.

Mr. WINGO. That would leave him still an excess profit of \$17,000 more than he made before?

Mr. HAWLEY. Yes.

Mr. WINGO. Does the gentleman think he is hurt?

Mr. HAWLEY. I think he can afford to pay the taxes, especially under the circumstances. There is one other observation I wish to submit. This particular corporation, if it distributed one-half of its net income in dividends, under the provisions of the House bill before the Senate amendments were agreed to, would have paid \$87,540, or about \$5,000 more than they will pay under the conference report.

The SPEAKER pro tempore (Mr. RUBEY). The time of the gentleman from Oregon has expired.

Mr. FORDNEY. Mr. Speaker, I yield five minutes more to the gentleman.

Mr. HAWLEY. I understand that this change in the system of computing the taxes was due to a feeling in another body that to provide a war excess-profits tax and an excess-profits tax and for a corporation to pay whichever was the highest, was in the nature of double taxation, and a constitutional objection was met by combining the two systems into one system, with three brackets. By this continuous arrangement for the assessment, levying, and collection of taxes it was thought that the constitutional objection would be avoided. That was the principal reason leading to this rearrangement, as I understand.

Mr. HAYES. Mr. Speaker, will the gentleman yield?

Mr. HAWLEY. Yes.



Mr. HAYES. Of course, the gentleman recognizes that this is a purely academic table. No corporation that he knows of probably makes any such showing as he has indicated. Am I not correct?

Mr. HAWLEY. I had submitted to me from a home corporation a statement of facts very much like this.

Mr. HAYES. I would like to buy some of their stock.

Mr. HAWLEY. I do not think it is for sale.

## CHART VI.

A CORPORATION PAYING IN ALL THE BRACKETS, WHICH AFFORDS AN OPPORTUNITY FOR DETAILED EXPLANATIONS.

Invested capital for 1918	\$100,000
Net income for 1918	35,000
Prewar earning	16,000

*First bracket, excess profits (sec. 301a).*

20 per cent of \$100,000	\$20,000
Deductions (sec. 312):	
8 per cent of \$100,000	\$8,000
Specific exemption	3,000
Total deductions	11,000

Amount taxable	9,000
30 per cent of \$9,000, or tax in first bracket	2,700

The term "excess profits" means net profits on the invested capital in excess of 8 per cent thereon. This corporation made 35 per cent net profit on its invested capital in 1918. In the first bracket a tax is levied at the rate of 30 per cent on that portion of the net profit which equals a return of 20 per cent on the invested capital. Twenty per cent on \$100,000 is \$20,000. But before levying the tax certain deductions are allowed. Every corporation is exempt from taxation on an earning equal to 8 per cent on its invested capital, which in this case is \$8,000, and also in addition thereto a specific exemption of \$3,000, making in this instance a total deduction of \$11,000. A deduction of \$11,000 from \$20,000 leaves \$9,000 to be taxed in this bracket, at the rate of 30 per cent, producing a tax of \$2,700.

*Second bracket, excess profits.*

Net income for 1918	\$35,000
Deductions (20 per cent of \$100,000)	20,000
Amount taxable	15,000
65 per cent of \$15,000, or tax in second bracket	\$9,750

Total tax in first and second brackets 12,450

In the second bracket the remainder of the net income for 1918 is taxed. The amount is ascertained by subtracting from the entire net income the amount taxed in the first bracket, which is an amount equal to a return of 20 per cent on the invested capital. The net income of \$35,000, less \$20,000, dealt with in the first bracket, leaves \$15,000 to be taxed at 65 per cent, producing a tax of \$9,750.

The total tax based upon net profits in excess of a return of 3 per cent on the invested capital, with an additional exemption of \$3,000, is \$2,700 in the first bracket and \$9,750 in the second bracket, or \$12,450 in all.

*Third bracket, war profits.*

Net income for 1918	\$35,000
Deductions (sec. 311a):	
Prewar earning	\$16,000
Specific exemption	3,000

Total deductions 19,000

Taxable amount 16,000

80 per cent of \$16,000 is	12,800
Deduct total of first and second brackets	12,450

Tax in third bracket \$350

Total war-profits and excess-profits tax 12,800

The distinguishing feature in the third bracket is the use of the prewar earning in the computations. If any tax is paid in this bracket, it will be due to the fact that the net income for 1918 was greatly in excess of the prewar earning.

From the net income of \$35,000 subtract the prewar earning of \$16,000 and a special exemption of \$3,000, or \$19,000 in all, which will leave \$16,000. Upon this \$16,000 compute 80 per cent, producing an amount of \$12,800. From \$12,800 subtract the total tax in the first and second brackets, or \$12,450, leaving \$350, the tax in the third bracket.

In every case if a corporation pays in the third bracket, the computations in the first and second brackets are superfluous, so far as ascertaining the tax to be paid is concerned, and the tax to be paid under section 301 (a) will be the amount computed in the third bracket. The value of computing the taxes in the first and second brackets is to ascertain what amount of the taxes under section 301 (a) are due to an earning in excess of 8 per cent on the invested capital and what due to earning in excess of the prewar profits.

*Normal corporation tax (sec. 230).*

Net income for 1918	\$35,000
Deductions, section 236:	
Taxes computed above	\$12,800
Specific exemption	2,000
Total deductions, c. c.	14,800
Amount subject to normal tax	20,200
12 per cent of \$20,200, or normal tax	\$2,424

Every corporation must pay the normal corporation tax, unless its net income is in excess of \$2,000 and the interest received on obligations of the United States or bonds issued by the War Finance Corporation and the excess-profits and war-profits taxes to be paid.

From the net income for 1918, or \$35,000, deduct the taxes paid in the first, second, and third brackets, a total of \$12,800, and also the specific exemption of \$2,000, and there is a remainder of \$20,200, which is the amount subject to the normal tax of 12 per cent. Twelve per cent on \$20,200 produces a tax of \$2,424.

*Total of all taxes.*

Tax computed in first bracket	\$2,700
Tax computed in second bracket	9,750
Tax computed in third bracket	350
Normal corporation tax	2,424
Grand total	15,224

## CHART VII.

This is an illustration of the taxes a corporation will pay, which before the war was making 30 per cent on its invested capital and during 1918, by reason of the great demand for its product and rapid turnover, made 150 per cent:

Invested capital in 1918	\$100,000
Net income for 1918	150,000
Prewar earning	30,000

*First bracket, excess profits.*

20 per cent on \$100,000	\$20,000
Deductions, section 312:	
8 per cent on \$100,000	\$8,000
Specific exemptions	3,000

Total deductions 11,000

Taxable amount 9,000

30 per cent of \$9,000, or tax in first bracket 2,700

*Second bracket, excess profits.*

Net income	\$150,000
Less 20 per cent on \$100,000, or	20,000
65 per cent of \$130,000, or tax in second bracket	84,500

Total tax in first and second brackets 87,200

*Third bracket, war profits.*

Net income	\$150,000
Deductions:	
Prewar earning	\$30,000
Specific exemption	3,000
	33,000
80 per cent of \$117,000 is	\$93,600
\$93,600 less \$87,200 is the tax in third bracket	6,400

Total taxes in the three brackets 93,600

*Normal corporation tax.*

Net income	\$150,000
Deductions:	
Taxes paid above	\$93,600
Specific exemption	2,000
	95,600
Amount subject to normal tax	54,400
12 per cent on \$54,400, or the normal tax, is	6,528

Total of all taxes to be paid by this corporation in 1918 100,128

## CHART VIII.

A CORPORATION WHOSE NET INCOME MATERIALLY INCREASED FOR THE YEAR 1918, AND PAYING IN ALL THREE BRACKETS.

Invested capital, 1918	\$1,000,000
Net income, 1918	400,000
Prewar earning	150,000

*First bracket, excess profits (sec. 301a).*

20 per cent of \$1,000,000	\$200,000
Deductions (sec. 312):	
8 per cent of \$1,000,000	\$80,000
Specific exemption	3,000

Total deductions 83,000

Amount taxed on first bracket 117,000

30 per cent of \$117,000, or tax in first bracket \$35,

<i>Second bracket, excess profits.</i>	
Net income	\$400,000
Less 20 per cent of \$1,000,000, or	200,000
Amount taxable	200,000
65 per cent of \$200,000, or tax in second bracket	\$130,000
Total of first and second brackets	165,100
<i>Third bracket, war profits.</i>	
Net income	\$400,000
Deductions (sec. 311a):	
Prewar earning	\$150,000
Specific exemption	3,000
	153,000
	247,000
80 per cent of \$247,000 is \$197,600; \$197,600 less \$165,100 (the total of the tax of first and second brackets), is tax in third bracket	32,500
Total war-profits and excess-profits taxes	197,600
<i>Normal corporation tax (sec. 230).</i>	
Net income	\$400,000
Deductions (sec. 236):	
Taxes as above	\$197,600
Specific exemption	2,000
	199,600
Amount subject to normal tax	200,400
12 per cent of \$200,400, or normal tax	24,048
Total of all income taxes paid by this corporation	221,648

## CHART IX.

## A LARGE CORPORATION MAKING LARGE PROFITS IN 1918.

Invested capital for 1918	\$15,000,000
Net income for 1918	7,500,000
Prewar earning	2,250,000

*First bracket, excess profits (sec. 301a).*

20 per cent of \$15,000,000	\$3,000,000
Deductions (sec. 312):	
8 per cent of \$15,000,000	\$1,200,000
Specific exemption	3,000

Total deductions 1,203,000

Amount taxable	1,797,000
30 per cent of \$1,797,000, or tax in first bracket	539,100

*Second bracket, excess profits (sec. 301a).*

Net income for 1918	\$7,500,000
Deductions:	
20 per cent of \$15,000,000	3,000,000

Amount taxable	4,500,000
65 per cent of \$4,500,000, or tax in second bracket	2,925,000

Total tax in first and second brackets 3,464,100

*Third bracket, war profits (sec. 301a).*

Net income for 1918	\$7,500,000
Deductions (sec. 311a):	
Prewar earning	\$2,250,000
Specific exemption	3,000

Total deductions 2,253,000

80 per cent of \$5,247,000 is	4,197,600
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Deduct total of first and second brackets	3,464,100
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Tax in third bracket	\$733,500
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Total war-profits and excess-profits tax 4,197,600

*Normal corporation tax.*

Net income for 1918	\$7,500,000
Deductions (sec. 236):	
Taxes computed above	\$4,197,600
Specific exemption	2,000

Total deductions 4,199,600

Amount subject to normal tax	3,300,400
12 per cent of \$3,300,400, or normal tax	396,048

*Total of all taxes.*

Tax computed in first bracket	539,100
Tax computed in second bracket	2,925,000
Tax computed in third bracket	733,500
Normal corporation tax	396,048

Grand total 4,593,648

## CHART X.

## A SMALL CORPORATION WHOSE INCOME INCREASED FOR THE YEAR 1918.

Invested capital for 1918	\$50,000
Net income for 1918	18,000
Prewar earning	10,000

*First bracket, excess profits (sec. 301a).*

20 per cent of \$50,000	\$10,000
Deductions (sec. 312):	
8 per cent of \$50,000	\$4,000
Specific exemption	3,000

Total deductions 7,000

Amount taxable	3,000
30 per cent of \$3,000, or tax in first bracket	900

<i>Second bracket, excess profits.</i>	
Net income for 1918	\$18,000
Deductions: 20 per cent of \$50,000	10,000
Amount taxable	8,000
65 per cent of \$8,000, or tax in second bracket	\$5,200
Total tax in first and second brackets	6,100
<i>Third bracket, war profits.</i>	
Net income for 1918	\$18,000
Deductions (sec. 311a):	
Prewar earning	\$10,000
Specific exemption	3,000
Total deductions	13,000
	5,000
80 per cent of \$5,000 is	4,000
Deduction total of first and second brackets	0
Tax in third bracket	0
(Since \$4,000 is less than \$6,100 there will be no tax in the third bracket.)	
Total war profits and excess-profits tax	6,100

*Normal corporation tax (sec. 230).*

Net income for 1918	\$18,000
Deductions (sec. 236):	
Taxes computed above	\$6,100
Specific exemption	2,000
Total deductions	8,100

Amount subject to normal tax	9,900
12 per cent of \$9,900, or normal tax	\$1,188

*Total of all taxes.*

Tax computed in first bracket	900
Tax computed in second bracket	5,200
Tax computed in third bracket	0
Normal corporation tax	1,188

Grand total 7,288

## CHART XI.

## A CORPORATION PAYING NO TAX IN THE FIRST BRACKET.

Invested capital for 1918	\$25,000
Net income for 1918	5,000
Prewar earning	15,000

*First bracket, excess profits (sec. 301a).*

20 per cent of \$25,000	\$5,000
Deductions (sec. 312):	
8 per cent of \$25,000	\$2,000
Specific exemption	3,000

Total deductions 5,000

Amount taxable	0
30 per cent of \$0, or tax in first bracket	0

*Second bracket, excess profits.*

Net income for 1918	\$15,000
Deductions: 20 per cent of \$25,000	5,000

Amount taxable	10,000
65 per cent of \$10,000, or tax in second bracket	6,500

Total tax in first and second brackets 6,500

*Third bracket, war profits.*

Net income for 1918	\$15,000
Deductions (sec. 311a):	
Prewar earning	\$5,000
Specific exemptions	3,000

Total deductions 8,000

Remainder	7,000
80 per cent of \$7,000 is	5,600

Deduct total of first and second brackets	6,500
(Since \$5,600 is less than \$6,500 there will be no tax in the third bracket.)	

Tax in third bracket 0

Total war profits and excess profits tax 6,500

*Normal corporation tax (sec. 230).*

Net income for 1918	\$15,000
Deductions (sec. 236):	
Taxes computed above	\$6,500
Specific exemption	2,000

Total deductions 8,500

Amount subject to normal tax	6,500
12 per cent of \$6,500, or normal tax	780

*Total of all taxes.*

Tax computed in first bracket	0
Tax computed in second bracket	\$6,500
Tax computed in third bracket	0
Normal corporation tax	780

Grand total 7,280

## CHART XII.

## A CORPORATION WHICH PAYS NO TAXES IN THE FIRST, SECOND, OR THIRD BRACKETS.

Invested capital for 1918	\$25,000
Net income for 1918	5,000
Prewar earning	3,000



First bracket, excess profits (sec. 301a).	
20 per cent of \$25,000	\$5,000
Deductions (sec. 312):	
8 per cent of \$25,000	\$2,000
Specific exemption	3,000
Total deductions	5,000
Amount taxable	0
30 per cent of \$—, or tax in first bracket	0
Second bracket, excess profits.	
Net income for 1918	\$5,000
Deductions: 20 per cent of \$25,000	5,000
Amount taxable	0
65 per cent of \$—, or tax in second bracket	0
Total tax in first and second brackets	0
Third bracket, war profits.	
Net income for 1918	5,000
Deductions (sec. 311a):	
Prewar earning	\$3,000
Specific exemption	3,000
Total deductions	6,000
Amount taxable	0
80 per cent of \$— is	0
Deduct total of first and second brackets	0
Tax in third bracket	0
Total war-profits and excess-profits tax	0
Normal corporation tax.	
Net income for 1918	\$5,000
Deductions (sec. 236):	
Taxes computed above	0
Specific exemption	2,000
Total deductions	2,000
Amount subject to normal tax	3,000
12 per cent of \$3,000, or normal tax	\$360
Total of all taxes.	
Tax computed in first bracket	0
Tax computed in second bracket	0
Tax computed in third bracket	0
Normal corporation tax	360
Grand total	360

## CHART XIII.

A SMALL CORPORATION WHOSE INCOME FOR 1918 AND THE PREWAR PERIOD ARE THE SAME.

Invested capital for 1918	\$50,000
Net income for 1918	10,000
Prewar earning	10,000

First bracket, excess profits.	
20 per cent of \$50,000	\$10,000
Deductions (sec. 312):	
8 per cent of \$50,000	\$4,000
Specific exemption	3,000
Total deductions	7,000
Amount taxable	3,000
30 per cent of \$3,000, or tax in first bracket	\$900

Second bracket, excess profits.	
Net income for 1918	\$10,000
Deductions: 20 per cent of \$—	10,000
Amount taxable	0
65 per cent of \$— or tax in second bracket	0
Total tax in first and second brackets	900

NOTE.—Having a net income of only 20 per cent, there is no amount to be taxed in the second bracket, as only the amounts in excess of a 20 per cent net income on invested capital is taxed in the second bracket.

Third bracket, war profits.	
Net income for 1918	\$10,000
Deductions (311a):	
Prewar earning	\$10,000
Specific exemption	2,000
Total deductions	12,000
80 per cent of \$— is	0
Deduct total of first and second brackets	900
Amount taxable	0
Tax in third bracket	0
Total war-profits and excess-profits tax	900

NOTE.—Since the deductions exceed the net income it is evident there will be no tax in this bracket.

Normal corporation tax.	
Net income for 1918	\$10,000
Deductions (sec. 236):	
Taxes computed above	\$900
Specific exemption	2,000
Total deductions	2,900
Amount subject to normal tax	7,100
12 per cent on \$7,100 or normal tax	852

Total of all taxes.	
Tax computed in first bracket	\$900
Tax computed in second bracket	0
Tax computed in third bracket	0
Normal corporation tax	852
Grand total	1,752

## CHART XIV.

A LARGER CORPORATION WHOSE PREWAR EARNING AND NET INCOME FOR 1918 WERE THE SAME AMOUNTS.

Invested capital for 1918	\$100,000
Net income for 1918	30,000
Prewar earning	30,000

First bracket, excess profits (sec. 301a).	
20 per cent of \$100,000	\$20,000
Deductions (sec. 312):	
8 per cent of \$100,000	\$8,000
Specific exemption	3,000
Total deductions	11,000
Amount taxable	9,000
30 per cent of \$9,000, or tax in first bracket	2,700

Second bracket, excess profits.	
Net income for 1918	\$30,000
Deductions:	
20 per cent of \$100,000	20,000
Amount taxable	10,000
65 per cent of \$10,000, or tax in second bracket	\$6,500
Total tax in first and second brackets	9,200

Third bracket, war profits.	
Net income for 1918	\$30,000
Deductions (sec. 311a):	
Prewar earning	\$30,000
Specific exemption	3,000
Total deductions	33,000
Amount taxable	0
80 per cent of \$— is	0
Deduct total of first and second brackets	9,200
Tax in third bracket	0
Total war-profits and excess-profits tax	9,200

NOTE.—No tax in this bracket because the deductions of \$33,000 exceed the \$30,000 on which tax is to be computed.

Normal corporation tax (sec. 236).	
Net income for 1918	\$30,000
Deductions (sec. 236):	
Taxes computed above	\$9,200
Specific exemption	2,000
Total deductions	11,200
Amount subject to normal tax	18,800
12 per cent of \$18,800, or normal tax	2,256

Total of all taxes.	
Tax computed in first bracket	2,700
Tax computed in second bracket	6,500
Tax computed in third bracket	0
Normal corporation tax	2,256
Grand total	11,456

## CHART XV.

A CORPORATION WHOSE NET INCOME FOR 1918 WAS LESS THAN ITS PREWAR EARNING.

Invested capital for 1918	\$200,000
Net income for 1918	40,000
Prewar earning	50,000

First bracket, excess profits (sec. 301a).	
20 per cent of \$200,000	\$40,000
Deductions (sec. 312):	
8 per cent of \$200,000	\$16,000
Specific exemption	3,000
Total deductions	19,000
Amount taxable	21,000
30 per cent of \$21,000, or tax in first bracket	6,300

Second bracket, excess profits.	
Net income for 1918	\$40,000
Deductions: 20 per cent of \$200,000	40,000
Amount taxable	0
65 per cent of \$—, or tax in second bracket	0
Total tax in first and second brackets	6,300

Third bracket, war profits.	
Net income for 1918	\$40,000
Deductions (sec. 311a):	
Prewar earning	\$50,000
Specific exemption	2,000
Total deductions	52,000
80 per cent of \$— is	0
Amount taxable	0
Deduct total of first and second brackets	6,300
Tax in third bracket	0
Total war-profits and excess-profits tax	\$6,300

Normal corporation tax (sec. 230).		
Net income for 1918	.....	\$40,000
Deductions (sec. 236):		
Taxes computed above	.....	\$6,300
Specific exemption	.....	2,000
Total deductions	.....	8,300
Amount subject to normal tax	.....	31,700
12 per cent of \$31,700, or normal tax	.....	\$3,804
Total of all taxes.		
Tax computed in first bracket	.....	6,300
Tax computed in second bracket	.....	0
Tax computed in third bracket	.....	0
Normal corporation tax	.....	3,804
Grand total	.....	10,104

## CHART XVI.

Invested capital, 1918	.....	\$150,000
Net income for 1918	.....	42,000
Prewar earning	.....	30,000

First bracket, excess profits (sec. 301a).		
20 per cent of \$150,000	.....	\$30,000
Deductions (sec. 312):		
8 per cent of \$150,000	.....	\$12,000
Specific exemption	.....	3,000
Total deductions	.....	15,000
Amount taxed in first bracket	.....	15,000
30 per cent of \$15,000, or tax in first bracket	.....	4,500

Second bracket, excess profits.		
Net income	.....	\$42,000
Less 20 per cent of \$150,000	.....	30,000
Amount taxed in second bracket	.....	12,000
65 per cent of \$12,000, or tax in second bracket	.....	7,800
Total tax in first and second brackets	.....	12,300

Third bracket, war profits.		
Net income	.....	\$42,000
Deductions (sec. 311a):		
Prewar earning	.....	\$30,000
Specific deduction	.....	3,000
Total deductions	.....	33,000
Amount taxable	.....	9,000

80 per cent of \$9,000 or \$7,200 is less than the total of the first and second brackets, and therefore there will be no tax in the third bracket.

Normal corporation tax (sec. 230).		
Net income	.....	\$42,000
Deductions (sec. 236):		
Taxes as above	.....	\$12,300
Specific exemption	.....	2,000
Total deductions	.....	14,300
Amount subject to normal tax	.....	27,700
12 per cent on \$27,700	.....	\$3,324
Total of all income taxes to be paid by this corporation	.....	15,624

## CHART XVII.

A CORPORATION EARNING LESS THAN 20 PER CENT NET INCOME IN 1918.		
Invested capital for 1918	.....	\$60,000
Net income for 1918	.....	10,800
Prewar earning	.....	9,000

First bracket.		
Net income for 1918	.....	\$10,800
Deductions:		
8 per cent of \$60,000	.....	\$4,800
Specific exemption	.....	3,000
Total deductions	.....	7,800
Amount taxable	.....	3,000
30 per cent of \$3,000, or tax in first bracket	.....	900

Second bracket.		
Net income for 1918	.....	\$10,800
Deductions: 20 per cent of \$60,000	.....	12,000
Amount taxable	.....	0
65 per cent of \$—, or tax in second bracket	.....	0
Total tax in first and second brackets	.....	900

NOTE.—Since the deductions exceed the \$10,800 there will be no tax in this bracket.

Third bracket.		
Net income for 1918	.....	\$10,800
Deductions:		
Prewar earning	.....	\$9,000
Specific exemption	.....	3,000
Total deductions	.....	12,000
80 per cent of \$— is	.....	0
Tax in third bracket	.....	0
Total war-profits and excess-profits tax	.....	900

Normal corporation tax.		
Net income for 1918	.....	\$10,800
Deductions:		
Taxes computed above	.....	\$900
Specific exemption	.....	2,000
Total deductions	.....	2,900
Amount subject to normal tax	.....	7,900
12 per cent of \$7,900, or normal tax	.....	\$948
Total of all taxes.		
Tax computed in first bracket	.....	900
Tax computed in second bracket	.....	0
Tax computed in third bracket	.....	0
Normal corporation tax	.....	948
Grand total	.....	1,848

## CHART XVIII.

A CORPORATION WHOSE SPECIFIC EXEMPTION OF \$3,000 IS NOT EXHAUSTED IN THE FIRST BRACKET.

Invested capital for 1918	.....	\$15,000
Net income for 1918	.....	4,500
Prewar earning	.....	3,000

First bracket.		
20 per cent of \$15,000	.....	\$3,000
Deductions:		
8 per cent of \$15,000	.....	\$1,200
Specific exemption	.....	3,000
Total deductions	.....	4,200
Amount taxable	.....	0
30 per cent of \$—, or tax in first bracket	.....	0

1. Since the deductions amount to \$4,200, and this exceeds \$3,000 by \$1,200, this corporation has the right to deduct this \$1,200 in the second bracket in addition to the usual 20 per cent on invested capital.

Second bracket.		
Net income for 1918	.....	\$4,500
Deductions:		
20 per cent of \$15,000	.....	\$3,000
Additional	.....	1,200
Total deductions	.....	4,200
Amount taxable	.....	300
65 per cent of \$300, or tax in second bracket	.....	195
Total tax in first and second brackets	.....	195

NOTE.—The "additional" \$1,200 is the amount obtained in the first bracket in excess of the \$3,000 to be taxed; this \$1,200 is therefore deducted in the second bracket that the corporation may receive exemption for the full amount of \$3,000 specific exemption.

Third bracket.		
Net income for 1918	.....	\$4,500
Deductions:		
Prewar earning	.....	\$3,000
Specific exemption	.....	3,000
Total deductions	.....	6,000
80 per cent of \$— is	.....	0
Tax in third bracket	.....	0
Total war-profits and excess-profits tax	.....	195

NOTE.—Since deductions exceed \$4,500, there will be no tax in this bracket.

Normal corporation tax.		
Net income for 1918	.....	\$4,500
Deductions:		
Taxes computed above	.....	\$195
Specific exemptions	.....	2,000
Total deductions	.....	2,195
Amount subject to normal tax	.....	2,305
12 per cent of \$2,305, or normal tax	.....	276.60

Total of all taxes.		
Tax computed in first bracket	.....	0
Tax computed in second bracket	.....	195.00
Tax computed in third bracket	.....	0
Normal corporation tax	.....	276.60
Grand total	.....	471.60

## CHART XIX.

A CORPORATION WITH AN 8 PER CENT EARNING IN THE PREWAR PERIOD.		
Invested capital for 1918	.....	\$100,000
Net income for 1918	.....	30,000
Prewar earning	.....	8,000

First bracket, excess profits (sec. 301a).		
20 per cent of \$100,000	.....	\$20,000
Deductions (sec. 312):		
8 per cent of \$100,000	.....	\$8,000
Specific exemption	.....	3,000
Total deductions	.....	11,000
Amount taxable	.....	9,000
30 per cent of \$9,000, or tax in first bracket	.....	2,700



Second bracket, excess profits.		
Net income for 1918	\$30,000	
Deductions: 20 per cent of \$100,000	20,000	
Amount taxable	10,000	
65 per cent of \$10,000, or tax in second bracket	\$6,500	
Total tax in first and second brackets	9,200	
Third brackets, war profits.		
Net income for 1918	\$30,000	
Deductions (sec. 311b):		
10 per cent of invested capital, 1918	\$10,000	
Specific exemption	3,000	
Total deductions	13,000	
80 per cent of \$17,000	13,600	
Deduct total of first and second brackets	9,200	
Tax in third bracket	4,400	
Total war-profits and excess-profits tax	13,600	
NOTE.—Since the prewar earning was only 8 per cent it is not used, but a 10 per cent deduction is allowed in the third bracket.		
Normal corporation tax (sec. 230).		
Net income for 1918	\$30,000	
Deductions (sec. 236):		
Taxes computed above	\$13,600	
Specific exemption	2,000	
Total deductions	15,600	
Amount subject to normal tax	14,400	
12 per cent of \$14,400, or normal tax	1,728	
Total of all taxes.		
Tax computed in first bracket	2,700	
Tax computed in second bracket	6,500	
Tax computed in third bracket	4,400	
Normal corporation tax	1,728	
	15,328	

## A CORPORATION WITH NO NET INCOME IN THE PREWAR PERIOD.

The above method would be used in computing the tax on a corporation which had no net income during its prewar period.

## A CORPORATION NOT IN EXISTENCE AT LEAST ONE WHOLE CALENDAR YEAR DURING THE PREWAR PERIOD.

A corporation not in existence during one whole calendar year will have in lieu of the deductions in section 311 a, those provided in section 311 c and d, which are:

I. A specific exemption of \$3,000; and

II. A constructive prewar earning based upon the average experience of corporations in the same trade or business, similarly situated, but in no case to be less than 10 per cent on its invested capital taxable for 1918.

## A CORPORATION HAVING A NET INCOME IN 1918 OF LESS THAN \$3,000.

A corporation having a net income of less than \$3,000 in 1918 will not pay the war-profits and excess-profits taxes.

## CHART XX.

WHAT INCOME TAXES WOULD HAVE BEEN PAID HAD THE BUSINESS IN CHART IV BEEN MANAGED BY AN INDIVIDUAL INSTEAD OF A CORPORATION.

It is difficult to make a comparison of this kind as the deductions and exemptions for normal and surtaxes for individuals are different from those for corporations for the normal and war-profits and excess-profits tax. But supposing that an individual had an income of \$150,000 upon which he pays both normal and surtax.

Normal tax (sec. 210a).		
Net income	\$150,000	
Deductions:		
Credit under section 216 A	\$6,000	
Credit under section 216 C	2,000	
Total deductions	8,000	
Amount on which normal tax is computed	\$142,000	
\$4,000, at 6 per cent	240	
\$138,000, at 12 per cent	16,560	
Total income tax	16,800	
Surtax (sec. 211).		
Net income subject to surtax	150,000	
On amounts between—		
\$5,000 and \$6,000, or \$1,000 at 1 per cent	\$10	
6,000 and 8,000, or 2,000 at 2 per cent	40	
8,000 and 10,000, or 2,000 at 3 per cent	60	
10,000 and 12,000, or 2,000 at 4 per cent	80	
12,000 and 14,000, or 2,000 at 5 per cent	100	
14,000 and 16,000, or 2,000 at 6 per cent	120	
16,000 and 18,000, or 2,000 at 7 per cent	140	
18,000 and 20,000, or 2,000 at 8 per cent	160	
20,000 and 22,000, or 2,000 at 9 per cent	180	
22,000 and 24,000, or 2,000 at 10 per cent	200	
24,000 and 26,000, or 2,000 at 11 per cent	220	
26,000 and 28,000, or 2,000 at 12 per cent	240	
28,000 and 30,000, or 2,000 at 13 per cent	260	
30,000 and 32,000, or 2,000 at 14 per cent	280	
32,000 and 34,000, or 2,000 at 15 per cent	300	

## On amounts between—Continued.

\$34,000 and \$36,000, or \$2,000 at 16 per cent	\$320
36,000 and 38,000, or 2,000 at 17 per cent	340
38,000 and 40,000, or 2,000 at 18 per cent	360
40,000 and 42,000, or 2,000 at 19 per cent	380
42,000 and 44,000, or 2,000 at 20 per cent	400
44,000 and 46,000, or 2,000 at 21 per cent	420
46,000 and 48,000, or 2,000 at 22 per cent	440
48,000 and 50,000, or 2,000 at 23 per cent	460
50,000 and 52,000, or 2,000 at 24 per cent	480
52,000 and 54,000, or 2,000 at 25 per cent	500
54,000 and 56,000, or 2,000 at 26 per cent	520
56,000 and 58,000, or 2,000 at 27 per cent	540
58,000 and 60,000, or 2,000 at 28 per cent	560
60,000 and 62,000, or 2,000 at 29 per cent	580
62,000 and 64,000, or 2,000 at 30 per cent	600
64,000 and 66,000, or 2,000 at 31 per cent	620
66,000 and 68,000, or 2,000 at 32 per cent	640
68,000 and 70,000, or 2,000 at 33 per cent	660
70,000 and 72,000, or 2,000 at 34 per cent	680
72,000 and 74,000, or 2,000 at 35 per cent	700
74,000 and 76,000, or 2,000 at 36 per cent	720
76,000 and 78,000, or 2,000 at 37 per cent	740
78,000 and 80,000, or 2,000 at 38 per cent	760
80,000 and 82,000, or 2,000 at 39 per cent	780
82,000 and 84,000, or 2,000 at 40 per cent	800
84,000 and 86,000, or 2,000 at 41 per cent	820
86,000 and 88,000, or 2,000 at 42 per cent	840
88,000 and 90,000, or 2,000 at 43 per cent	860
90,000 and 92,000, or 2,000 at 44 per cent	880
92,000 and 94,000, or 2,000 at 45 per cent	900
94,000 and 96,000, or 2,000 at 46 per cent	920
96,000 and 98,000, or 2,000 at 47 per cent	940
98,000 and 100,000, or 2,000 at 48 per cent	960
100,000 and 150,000, or 50,000 at 52 per cent	26,000
Total surtax	\$49,510
Normal tax	16,800
Surtax	49,510
Total tax	66,310

The corporation will pay \$82,528.

Mr. FORDNEY. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. HULL of Tennessee. Mr. Speaker, I make the same request.

The SPEAKER pro tempore. Is there objection?

There was no objection.

Mr. FORDNEY. Mr. Speaker, I yield five minutes to the gentleman from Ohio [Mr. EMERSON].

Mr. EMERSON. Mr. Speaker and gentlemen of the House, I am moved to speak at this time because of a provision in the bill which gives \$60 pay to the soldiers. I am in favor of that and would vote for more. That is not all the soldier wants, however. The soldier wants first to be returned home, and, second, he wants to be returned to the position that he held before he entered the service of this country. Right here I want to second the compliment paid by the chairman of this committee to the private soldier. I know personally soldiers who are serving in France as privates who earned from \$10,000 to \$15,000 a year; from four to five and six times as much as the captains and colonels of the organizations in which they are serving. I know Pvt. Sam Rosenberg, who had a law business that paid him over \$10,000 per year, who entered the service as a private. How are we going to do this? I have introduced to-day two bills. First, a bill to forever bar the alien who refused to enter the service of his country when he was drafted from becoming a citizen of the United States; second, to make the alien who volunteered or was drafted and did not claim his exemption a citizen upon presentation of his papers showing honorable discharge. I have introduced another bill to give a preference to the soldier, sailor, and marine, and even the citizen of this country, when it comes to employment. To think of an American soldier, sailor, or marine returning from France walking the streets of the cities of this country in idleness and seeing some alien slacker holding a profitable position is scandalous. What we ought to do in this country is to start an Americanization scheme. If we had been prepared socially, educationally, and in a military way we would never have had to enter this war with Germany, and the nearly 60,000 brave American boys who now sleep in France would be here. I believe in giving a preference to the soldier, the sailor, or the marine, and the citizen of this country, over any alien who comes here to infest this country with anarchy and Bolshevism and the I-won't-work stuff. I believe in giving employment to the soldier who does not belong to the I-won't-work class, and who not only belong to the I-will-work class but who belongs to the I-will-fight class. [Applause.]

In compliance with resolutions adopted at a meeting of soldiers and sailors in Cleveland, Ohio, I have introduced two bills—one to punish the alien slacker and the other to give preference to soldiers, sailors, marines, and citizens over aliens in the matter of employment, and especially over aliens who

refused to enter the military service of the United States during this world's war.

More important than a league of nations is the Americanization of this country.

Of all the persons who should go to the foot when it comes to employment the alien slacker is that person.

Every alien who was exempted from military service because of his alienage should never become a citizen of this country, and should never have employment as long as an American citizen is idle and physically and mentally able to fill such employment.

It should be made unlawful to hire an alien when an American can do the work.

It will mean more for the peace of this country if the United States would prepare itself industrially and educationally than the mere belonging to a league of nations to enforce peace.

Let us clean house at home first.

There are in this country millions of aliens who never intend to become citizens of this country, who have not the interests of the country at heart, who are here simply to get all they can out of the country and spread Bolshevism and I. W. Wism while they are here. They should be curbed. No alien should be given employment by any firm or corporation while an American citizen walks the streets in idleness. Just think of an American soldier, sailor, or marine walking the streets after returning from the trenches and finding some alien slacker holding the position he held before he entered the service of his country. What an ungrateful country he must think this is.

Yes, and that same alien slacker enjoyed the peace and happiness and prosperity for which the soldier, sailor, or marine was willing to die.

The memory of a great past is the inspiration of a great present, and the country which honors its great men has the prospects of producing more in the future.

The gratitude of a free people in the United States will lead them to erect memorials to the gallant and heroic men who offered their lives that liberty might live. We have suggestions of the conventional shafts placed in cemeteries for the fallen, but for those who were saved to the Nation let the memorial of employment be first erected as a tribute to the returning soldier who offered his to-day for our to-morrow. No better or more fitting tribute can be tendered the brave boys for their future than supplying them with employment, not swamp lands, but jobs, the jobs they held before they went 3,000 miles from home to die if need be for their country. No alien wheresoever he may hail from should deprive the American soldier from American employment in America.

No true American can negative this assertion unless he is untrue to America, with unpatriotic motives detrimental to American progress. These slackers are simply human lice who crawl over the body politic and pester and annoy civilization and progress. We might as well give them to understand that America is no place for them. There is no country on the face of this earth that would give them as much liberty and opportunity as this country does, but in spite of that they come here and infest the country with disloyalty and anarchy. Is it fair? Is it proper? Is it just? Does it not on the contrary cause dissension and dissatisfaction and unrest among the people of this country? Does it promote patriotism? If we are to have an America of which we may feel proud let us clean out this nest of disloyal aliens, who would neither fight for this country nor their own.

They are citizens of no country—just wandering citizens of the world, with no object but to prey upon the citizens of other countries. The great European conflict is drawing to a close. Hundreds of thousands of American soldiers are returning for demobilization. They have been fighting for the preservation of our liberties, for the preservation of our industrial institutions, and it is now our paramount duty to see to it that every mill, factory, and workshop turns the wheels of industry with the aid of the boys who offered their lives to save industry from destruction.

Every firm, company, or corporation refusing or neglecting to employ a soldier, sailor, marine, or citizen of these United States to take the place of an alien slacker, or even an alien, should be industrially blacklisted and its name published to the country.

Can it be well said that those of this vast army who returned from military service should return to find alien slackers employed all over the country, and should be forced to live upon the charity of relatives and friends? These boys are not of the I-will-not-work crowd; they belong to the I-will-work crowd, as well as the I-will-fight crowd. It is our plain duty to do this by legislation. We have rightfully protected American industry from alien industry; now let us protect American labor from alien labor and the ungrateful alien slacker. American labor

should be given the first opportunity in this country. American labor should hold every job in this country, and the alien should wait. I would only allow the alien to come here with the distinct understanding that he must establish himself here and prepare himself for citizenship or go back where he came from. If he can find any place where he is better treated, just let him go, and it will be good riddance of bad rubbish. We would soon get rid of bad aliens if we passed a law giving a preference to American labor. I would make it a crime punishable with a fine or imprisonment to employ an alien while there was an American citizen idle who could perform the work.

Returning soldiers do not want simply praise, they do not want a parcel of land out in the wilderness, they do not want merely a few months' extra pay. What the returning soldier wants is the job back he had before he entered the military or naval service of the United States. He wants his old employment; and this Government should give back to every returning soldier who worked for the Government before the war his old employment, no matter how it may inconvenience some one else; and we should make it mighty unpleasant for any firm or corporation who does not do this. We took these men from their wives, children, mothers, and friends and sent them 3,000 miles away, and we owe them something besides a vote of thanks. But think of the alien who was drafted and claimed his exemption because of his alienage. What do we owe him? We owe him nothing. What right has he to take a job away from an alien who was drafted and went and fought in the ranks? Is not there a vast difference? Perhaps if we looked out a little for the citizens of this country the alien might think a little more of us. If Germany had known we would have entered the war as vigorously as we did, we would never have had to go to war, and the lives of nearly 60,000 of our brave boys might have been saved. If we do this, perhaps the alien will appreciate what it means to live in a land of peace and opportunity, where all men are equal, where the humblest serf may come and be free and work out his own salvation, educate his children, and live in comfort, peace, and happiness.

I am for Americanizing America, for preparing America for any emergency. I believe in industrial preparedness, military preparedness, educational preparedness, social preparedness in every way, but above all by showing the alien that he can not come to this country and enjoy all its liberties and opportunities but share none of its responsibilities. Teach him respect for this country, for its Constitution and laws, and for its flag, and when we have done this we are prepared for any emergency. [Applause.]

Now, if we do not do something like that we are going to discourage the soldier, and, besides, we owe him everything. There are in this country thousands of people who have come here with no intention of becoming citizens of this country, who simply get all they can from the country. They never intend to be identified with the institutions of this country; and if there is anyone who should walk the street in idleness Mr. Alien Slacker is the man.

Mr. DEWALT. Will the gentleman permit an interruption?

Mr. EMERSON. Yes.

Mr. DEWALT. Granting that the gentleman may be able to enforce the provisions of his intended bills in regard to giving employment and in regard to employment in governmental work, how would the gentleman be able to enforce it in regard to private employment by private people or private corporations not engaged in any such work? Would it not be a violation of the constitutional provision in regard to contracts?

Mr. EMERSON. I appreciate the force of the gentleman's question. I considered it very seriously when I prepared this second bill.

Mr. DEWALT. What is the gentleman's answer?

Mr. EMERSON. My answer is this: If it is necessary, we will amend the Constitution. That is all there is to that. I place the welfare of my country above the rights of any corporation.

Mr. DEWALT. Oh, I see.

Mr. EMERSON. That is all there is about that; that is the way I feel about it.

Mr. DEWALT. That is very simple.

Mr. EMERSON. That is very simple; but that is what we ought to do and what we have got to do if we want to preserve the institutions of this country. And had we begun years ago to prepare this country in some way we would not have been in this war and 60,000 men would not lie sleeping in Flanders fields and over 200,000 more wounded and maimed. Had the Kaiser known we would have fought he never would have transgressed the rights of an American citizen.

The SPEAKER pro tempore. The time of the gentleman has expired.



Mr. EMERSON. Mr. Speaker, I ask unanimous consent to revise and extend my remarks.

The SPEAKER pro tempore. Is there objection to the request of the gentleman? [After a pause.] The Chair hears none.

Mr. FORDNEY. Mr. Speaker, I yield 10 minutes to the gentleman from Kentucky [Mr. LANGLEY].

Mr. LANGLEY. Mr. Speaker, in the few moments allotted to me I shall of course be unable to say very much, and I ask unanimous consent to revise and extend my remarks.

Mr. WALSH. Mr. Speaker, nobody can hear what the gentleman from Kentucky is asking.

The SPEAKER pro tempore. The gentleman from Kentucky asks unanimous consent to extend his remarks. Is there objection? [After a pause.] The Chair hears none.

Mr. LANGLEY. Mr. Speaker, I have made up my mind that I will not vote for this bill if it is put upon its final passage in its present shape, and I assume that that is what will occur. As a general rule I do not permit the speeches and arguments of a Democrat to have much influence over me. [Laughter.] But I do not mind confessing that my previous inclination against this bill was very much strengthened by the able speech of the distinguished gentleman from Texas [Mr. DIES] last Thursday. I have read a great deal of Republican literature and I have heard many good Republican speeches, but I do not think I ever heard a better 15-minute Republican speech, both politically and fundamentally, in my life than the one delivered by the gentleman from Texas, and I am sure that my colleagues on this side of the Chamber share with me the regret that he is not to remain in Congress, and I think his colleagues on the other side should also share in that regret. [Applause.]

Mr. Speaker, I want to say in the outset that I do not for a moment countenance the idea of our Government repudiating or failing to pay any of its just obligations, however burdensome they may be to our people. While those who are for the time being managing the affairs of our Government may have erred in entering into these obligations, the good faith of the Nation requires that they be met sooner or later. All that I am going to contend for is that in fulfilling these obligations due regard should be had for the financial and industrial conditions in the country so that an unbearable burden may not be placed upon the people now. [Applause.]

There are several provisions in this bill that I am in favor of. Of course, I am in favor of the bone-dry provision. [Applause.] That goes without saying. [Laughter and applause.] I am also in favor of the purpose of the child-labor provision, but I pause here to say that I do not think it is a wise policy, although it is frequently resorted to of late, to load up appropriation bills with legislative riders involving propositions entirely extraneous to the regular supply bills of the Government, and which ought to be considered separate and apart therefrom and upon their own merits. I am likewise in favor of the principle underlying the provision for a bonus to be paid to our soldiers, sailors, and marines, except that I believe, as I indicated earlier in the debate to-day, that \$60 is a very small pittance to give them. [Applause.] Indeed, Mr. Speaker, I think it is little less than an insult to them to give them what really amounts to little more than a "tip" upon their discharge from a service in entering which and going through which they have made so many sacrifices, and many of them have suffered so much. I question also whether it is equitable and fair to give all of them the same amount, when some of them have served so much longer than others and have made much greater sacrifices than others, and especially in view of the fact that hundreds of thousands of them are still overseas and being held there, many of them under the most distressing conditions, although the war has in fact been over for nearly three months. I think some sliding scale would be better so as to compensate them in a measure in proportion to their service and sacrifice. Of course, it is not practicable to do this literally, but it can be done approximately, and I recently introduced a bill which follows that general plan.

The distinguished gentleman from Michigan [Mr. FORDNEY] called attention awhile ago to the fact that this \$60 flat bonus would cost the Government a little over a quarter of a billion dollars, but what does that amount to in view of the service that our boys have rendered our country and the civilized world? As I stated when interrupting the gentleman, I think it would be a good idea to take about twice that amount out of the proposed appropriation for increasing the Navy, which is now pending, and give that to our soldier boys to help them along until they can resume their former vocations or secure remunerative employment elsewhere. If I had the time I could suggest other large items that it is proposed to appropriate in this Congress, for things that could be very well

dispensed with or postponed, and utilize the money for purposes like this.

Mr. Speaker, while I favor the provisions to which I have referred, and while there are some other features in this bill that I would vote for as separate propositions, I do not propose to be forced to vote for this bill as a whole, with all of its objectionable features, simply because it contains some provisions that I am for. The people of my district are sensible and just, and they understand the situation. They know just as well as we do that the way this conference bill is brought up we can not get a separate vote on each item, but must vote for or against the bill as a whole. They know how I would vote on all these matters if under the rules of the House we could have a chance for a separate vote.

Mr. Speaker, I have voted under this Democratic administration for a number of huge tax bills and appropriation bills. For most of them I voted conscientiously; in some cases I voted for them almost in spite of my conscience, but in all cases my vote was based upon assurances from the highest sources that they were vital to the welfare of the country. But I have about reached the parting of the ways. I do not propose to vote for any more of these appropriation bills or tax bills blindly if I can help it. One of the reasons that I oppose this bill is that some of the money that will be collected under it, if it is enacted into law, will be expended in carrying out the unprecedented naval program that is proposed, and against which I shall also register my vote unless it is very materially amended. In previous Congresses I have always voted for the largest increase in our Navy that was proposed, but conditions were different then. Our Navy needed increasing then, and we were financially able to do it. Now we are paving the way to a permanent peace and do not need such a gigantic Navy, and now the people are already carrying an almost unbearable burden of taxation and are not able to meet the added expense.

Mr. LAZARO. Will the gentleman yield right there?

Mr. LANGLEY. Certainly.

Mr. LAZARO. The gentleman knows there is a provision in the bill that authorizes the President to stop the building program if we agree to such a thing as that.

Mr. LANGLEY. Oh, yes; but the trouble about the President is that sometimes he will not stop when he ought to when he once gets started. [Laughter.]

Mr. ASHBROOK. Is the gentleman in favor at this time of an omnibus public buildings bill?

Mr. LANGLEY. I certainly am. I am in favor of scattering the money around throughout the country instead of taking it in huge bulks and putting it where it is not absolutely necessary, and where it will not reach the public generally, but enrich the few at the expense and distress of the many. That is exactly the point I had in mind when the gentleman from Ohio interrupted me. That is why I am in favor of giving more to the soldiers. I believe in helping those who need help rather than those who can get along without it.

Mr. JOHNSON of Washington. How are we going to raise the money?

Mr. LANGLEY. That raises the point to which I am going to address myself in a minute. I may say now, in reply to the gentleman, that, so far as the naval program is concerned, I think it will make very little, if any, difference to the country, in view of present conditions, as to just how many years we take to complete the program already authorized, but it will make a great deal of difference to the people, in view of the stress under which they are now laboring, as to whether we try to raise hundreds of millions of the money now or string the completion of the program out for several years, and thus avoid increasing the burden now, which the people, in my judgment, can not stand at this time.

The suggestion has been made that this naval appropriation is needed for bluffing purposes. Gentlemen, this is too serious a matter to bluff about. To gamble legitimately with the people's money, hard pressed as they are now, is bad enough, but to bluff with it is monstrous. The gentleman from Texas was right. If we go ahead with these reckless expenditures we will commit a double crime—we will not only purloin the golden egg but kill the goose that laid it.

The gentleman from Washington raised a very pertinent and very important question, and it has also been raised by other gentlemen in the same connection. I do not claim to be an expert on this tax question. Indeed, I have tried several times without success to fill out one of the blanks, and I doubt very much whether there is a single Member of this House, the Ways and Means Committee included, who could fill out one of them without making some mistakes. But if I had my way about it, I will tell you what I would do. I would reenact the tax law of October, 1917, with such amendments as would pre-

vent discriminations that have been cited in this debate, and particularly by the gentleman from North Carolina [Mr. KIRCHIN], and strike out the balance of this pending bill, except the provisions to which I have referred with approval. Experts who have made a thorough study of the question say that this reenactment of the act of 1917 would, with the increased earnings of the current year, raise something over \$4,000,000,000. That would save the people for the present from all of the added burdens of the pending bill, and if a little later on it should develop that the Government needs more money to meet its just and necessary obligations, we could then devise some way to raise it. We have shown since we entered this war that the American Congress can do that very quickly when there is need for it to be done. Let us give the people a little chance to save a few dollars instead of taking all they have made and thus destroy their initiative and enterprise. Let us consider the people's side of it a little. I tell you, gentlemen, they are not only astonished but they are stunned by the appalling propositions embodied in this bill, and the deepening shadows of despair are gathering over them. [Applause.] I for one am in favor of heeding their appeals instead of increasing their distress. I am talking now not about men with immense incomes, who will never feel it, but I have in mind the average man and the average family. They are the ones who are going to feel this burden the most. And, gentlemen, while I am on that subject, let me make this further observation: Even if I knew that the adoption of my suggestion for the amendment and reenactment of the 1917 tax law would not raise all the money that the Government needs now, I would still stick to the proposition. These vast expenditures are the result of a war in which we entered for the preservation of republican government and civilization, and for the protection of humanity in general. What we accomplished in this war will inure more to the benefit of future generations in America than to the present generation.

I do not think that the people of this day should do all the fighting and endure all the suffering and bear the bulk of the financial burden. We have issued a good many bonds already, it is true, and authorized the issuance of more, but before I would paralyze business and oppress the people, as this new tax bill will do, I would authorize the issuance of still more long-time bonds, and let the future generations pay the most of the expense, because they will get the most of the benefit.

Mr. BANKHEAD. Will the gentleman yield to me for a question?

Mr. LANGLEY. I would be delighted to yield to my old friend and schoolmate if I had the time.

Mr. Speaker, I see that my time is about up, and so I will have to let these few remarks go in the RECORD and avail myself of the privilege granted me to extend in the RECORD on this subject at a later date. Permit me to suggest, in conclusion, that there is still another remedy for the situation, which, in my judgment, is shortly to be applied by the people of the country themselves. Let the Republican Party take charge of the affairs of this country. [Applause.] Unless I greatly misinterpret the temper of the American people they are growing weary of so much theoretical, schoolmaster government. [Applause.] They are sick and tired of the way in which their money is being recklessly scattered around, like autumn leaves, by the billions. They are longing for a return of the good old days of Republican management [applause]; for more of the old-time religion of the fathers of the Republic; for more Americanism, and less chasing of the chimerical will-o'-the-wisp of world democracy; for the reestablishment of the old, time-honored doctrine of protection to American industries and American labor. [Applause.] And they are demanding, too, that their boys be permitted to return home, so that they may enjoy their due share of the era of happiness and prosperity that will come with Republican rule and Republican legislation. [Applause.] May the good Lord hasten the day. [Applause.]

The SPEAKER pro tempore. The question is on agreeing to the conference report.

Mr. HENRY T. RAINEY. Mr. Speaker, I yield 15 minutes to the gentleman from Mississippi [Mr. VENABLE].

Mr. VENABLE. Mr. Speaker and gentlemen of the House, I am placed in a very peculiar attitude by virtue of what I consider a vicious practice of appending to unrelated bills various matters of legislation that should be considered alone. In this bill as amended by the Senate we find a provision that if any factory in the country employs any child under 14 years of age, or between the ages of 14 and 15 employs children who shall be worked over eight hours a day, or before 6 o'clock in the morning or after 7 o'clock in the afternoon, that factory shall be taxed 10 per cent of its net profits. I believe that this provision is unconstitutional. I remember that when I became a Member of this House I, in company with you, before

this desk, was called upon to hold up my right hand and ask the Deity to withdraw from me all of His blessings if I should fail to defend the Constitution against its enemies, both domestic and foreign. And I am placed in the situation where I must either vote down this conference report, which otherwise I would vote for, or fore swear myself; and in that situation there is only one thing that I can do, and that is to vote down the report and seek to have the obnoxious features stricken from it.

I know that it is said, upon the authority of the oleomargarine case, the phosphorus match cases, and others, that the courts of the country will never, a power being granted to exist, inquire as to the motive for the exercise of that power. But before this Congress the question is not what the Supreme Court will decide, but the question is whether, as a matter of fact, our intended vote is a violation of the Constitution, which we have sworn to defend. Of course, it is a rule, and a good rule—and I am not quarreling with the decisions in those cases—that the courts of the country will not, where the enactment of Congress is consistent with a due performance of duty, put a construction upon those acts making them inconsistent with duty; but where the act itself can be construed as being a performance of a just power of the Congress, the courts, through a just comity, will indulge the presumption that Congress acted from righteous motives, and will sustain the legislative enactment.

But it has never been held, and I trust never will be held, where an enactment of Congress is inherently violative of the fundamental law and destructive of our form of government that the courts of the land will not construe that enactment as violative of the fundamental law through any idea of comity or sensitiveness in dealing with a correlative branch of the Government.

But be the powers of the court as they may, this Congress can not delegate to the Supreme Court of the United States the keeping of its conscience. This Congress can not hold up its hands and swear to defend the Constitution of the country and then vote for a measure that it believes to be unconstitutional on the theory that perhaps the court will be more observant of its duty and its oath than the membership of this House.

Mr. BAER. Mr. Speaker, will the gentleman yield?

Mr. VENABLE. In a moment. The duty is personal, and the oath is personal; and I contend that this enactment under the guise of exercising the taxing power of the United States is simply another effort to exercise a power which the Federal Government has never had, which was sought to be exercised under the power of regulating commerce, and which has already been declared unconstitutional by the courts.

I do not care a baubee whether men believe in a written constitution or not, whether they say that this Government was wisely or unwisely founded. We have a written Constitution, and every man in taking his oath takes his oath that he will defend it and observe it.

Now, what is the act? The act specifically provides that—

any mill, cannery, workshop, factory, or manufacturing establishment situated in the United States in which children under the age of 14 years have been employed or permitted to work, or children between the ages of 14 and 16 have been employed or permitted to work more than eight hours in any day or more than six days in any week, or after the hour of 7 o'clock post meridian, or before the hour of 6 o'clock ante meridian, during any portion of the taxable year, shall pay for each taxable year, in addition to all other taxes imposed by law, an excise tax equivalent to 10 per cent of the entire net profits received or accrued for such year from the sale or disposition of the product of such mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment.

The States of the Union, when they formed the Union under the Constitution, as has been decided in a thousand decisions, never gave to the National Government the so-called police powers; the right to legislate on the safety, health, comfort, and morals of the citizen. The founders of this Government in their wisdom wrote it in the Constitution that as regards those laws which affect men in their health, their comfort, their safety, and their morals, they shall be governed and ruled, if you please, by men selected by them; by men who lived under the local conditions and understood them. Fearful of a concentration of all these powers under one government, where necessarily the only practical way was to govern them through bureaus and bureau chiefs, it has been decided a thousand times by the Supreme Court that the National Government has no police power. The Supreme Court has said that the commerce clause of the Constitution shall not be used as a guise to filch away from the States powers which were never granted by the States. When that effort failed under the taxing power it is sought to do the thing by indirection which was prohibited by direction.

But what is the provision? I contend that on its very face it shows it is unconstitutional; that on its face it is not an



exercise of the taxing power in good faith, but it is a subterfuge to exercise police powers that were never granted to the Federal Government.

Mr. LAZARO. Mr. Speaker, will the gentleman yield right there?

Mr. VENABLE. Yes, sir.

Mr. LAZARO. As I understand the gentleman, he is opposed to legislation by riders?

Mr. VENABLE. Yes; and I am opposed to the exercise of police powers by the Federal Government, because no such powers were ever granted to it.

Mr. LAZARO. What does the gentleman think of the "bone-dry" amendment attached to this measure over there in the Senate?

Mr. VENABLE. On the question of riders, I am opposed to riders on unrelated bills.

Mr. LAZARO. I know; but I am asking the gentleman what does he think about the "bone-dry" amendment attached to this bill as a rider?

Mr. VENABLE. Inherently I favor it on its merits, just as I favor a child-labor law on its merits. I am in favor of child-labor regulation.

Mr. GOODWIN of Arkansas. Mr. Speaker, will the gentleman yield?

Mr. VENABLE. Pardon me. I have a certain amount of ground that I wish to cover, and when I shall have covered it I shall be glad to yield if I have the time.

Now, what is this provision? It does not undertake to tax the products of child labor, but it taxes the act of employment of children. It says you may employ as many children as you please, unless you employ them under certain conditions. It taxes not only the profits earned by the labor of the children, but it taxes the profits earned by the labor of the adults also who are associated with the children in production. If it was an effort to levy a tax upon a product it would tax the product of the child labor. But it taxes not the product of child labor or the profits earned by child labor, but the profits earned by the entire establishment. It imposes the same tax whether the violation is great or small. It says to the man who operates a factory, "If you work a child 3 minutes before 6 o'clock in the morning I will tax you just as much as if you worked a thousand children." Would a revenue bill designed to get revenue adopt such provisions as that?

Mr. IGOE. Will the gentleman yield for a question?

Mr. VENABLE. Yes.

Mr. IGOE. On the fundamental question as to the constitutional right to enact this legislation, can the gentleman see any great fundamental difference between this and the cotton legislation that we passed sometime ago?

Mr. VENABLE. What was that?

Mr. IGOE. The regulation of cotton contracts for future delivery, grading of cotton, and so forth.

Mr. VENABLE. I do not know. I was not in Congress when you passed the cotton grading act.

Mr. WINGO. That proposed a specific tax.

Mr. VENABLE. Yes; and in every one of these cases heretofore you have taxed a specific article of a specific kind. You may have used certain descriptive matter, as in the oleomargarine act, where you said oleomargarine which had an artificial coloring in it should be taxed, but you have always taxed the specific article, and I understand this is the first time where you have undertaken to tax not an article but an act.

Mr. GOODWIN of Arkansas. Will the gentleman yield?

Mr. VENABLE. Yes.

Mr. GOODWIN of Arkansas. The gentleman said awhile ago, and said correctly, too, that the Supreme Court had decided, possibly a thousand times, that the States did not surrender their police powers to the Federal Government when the Federal Constitution was adopted.

Mr. VENABLE. That is true.

Mr. GOODWIN of Arkansas. That the States still hold such powers.

Mr. VENABLE. The powers not granted to the Federal Government are reserved to the States.

Mr. GOODWIN of Arkansas. Yes; and that such things as men's habits and the public health—

Mr. VENABLE. All the police powers are reserved to the States.

Mr. GOODWIN of Arkansas. But the gentleman's position on the submission of the national prohibition amendment—

Mr. VENABLE. That involves no question of constitutionality, because the very Constitution itself provides a method for its amendment. That was a case of amending the Constitution, not of violating it.

The people themselves in their Constitution inserted a provision that they could adopt any amendment, wise or otherwise,

if the legislatures of a certain number of the States ratified it. They could say, "We declare as a fundamental constitutional truth that the moon is made of green cheese" if they wanted to do so. I am not talking about the wisdom of amending the Constitution. I am talking about its violation and the exercise by this Congress of powers that were never given to it.

Mr. EMERSON. Will the gentleman yield?

Mr. VENABLE. Yes.

The SPEAKER. The time of the gentleman has expired.

Mr. VENABLE. May I have five minutes more?

Mr. HENRY T. RAINEY. I yield five minutes.

Mr. VENABLE. I hope the gentleman from Ohio will pardon me. I have not time to yield. What is the practical effect of such legislation? If you enter upon the business of taking the police powers away from the States under the guise of taxation, there is nothing in the world that you can not regulate in that way. You can completely socialize the entire Government in a year. You can make a socialist State of this Government in a term of Congress. Every object good in itself would have its supporters. We can conceive that machinery should be guarded, and hence we could tax the products of all factories where the machinery was unguarded, imposing a tax of 100 per cent, and force the adoption of mechanical safeguards, and establishing at the same time a gigantic bureau to look after that, having the people ruled by men they never selected, not answerable to them but appointed by a man a thousand miles away. In the same manner we could regulate the working of women. Yea, more than that, we could fix a minimum wage scale, and say that unless the laborers in field and factory received a certain minimum wage, the product of their labor should be taxed at such a rate as practically to compel the payment of the minimum wage.

Mr. LAZARO and Mr. WALSH rose.

Mr. VENABLE. I hope gentlemen will pardon me. I have not time to yield. These objects may be good in themselves; but the people of the United States have said in their fundamental law that as far as these subject matters are concerned they propose to keep that part of the Government close to the people. The power to enact such laws is reserved to the people of the States, and has never been granted the Federal Government.

We propose to be ruled over—if you call it ruling—or served by men selected by us, by men answerable to us, by men who live in communities and know the conditions, by men who, if they do not do right, are under your observation, while this proposal is that you transfer all these reserved police powers to the Federal Government, that you regulate everything from Washington, with the result of the establishment of national bureaus, clothed with discretionary powers, in order to adopt regulations suitable to varying local conditions, with the result that from Washington will issue edicts of bureaucrats not elected by the people, not answerable to the people, but appointed by another authority, with all the inherent expense and tyranny that is naturally inherent in a bureaucratic government.

Mr. LAZARO. Will the gentleman yield?

Mr. VENABLE. Yes.

Mr. LAZARO. The gentleman stated that he was in favor of the Reed bone-dry amendment.

Mr. VENABLE. On its merits.

Mr. LAZARO. Does the gentleman think that was done in a constitutional way in the District of Columbia?

Mr. VENABLE. I think so; I think the trade in interstate commerce, as far as whisky is concerned, is sui generis. That is the principle of law decided by the Supreme Court of the United States. For years they have held that whisky is of such a character and nature that the ordinary property guarantees did not apply to it, and the power of legislation in it was practically plenary.

Mr. EMERSON. Will the gentleman yield?

Mr. VENABLE. Yes.

Mr. EMERSON. Why should we be held to the Constitution when the Supreme Court sometimes changes its mind?

Mr. VENABLE. Because you swore to do it.

Mr. EMERSON. And they also swore to do it.

Mr. VENABLE. They try to do it.

Mr. EMERSON. The Supreme Court sometimes changes its mind on a constitutional question and sometimes divides on a constitutional question.

Mr. VENABLE. The gentleman can vote as his conscience tells him to and let them take care of theirs.

Mr. EMERSON. That is what we do.

Mr. VENABLE. If you differ with me, well and good; but as I understand your position it is that because we have a Supreme Court to pass on constitutional questions that relieves us of the obligation of doing it individually.

Mr. EMERSON. A former Member of this House, elected to the next Congress, decided that the espionage act was unconstitutional and now he goes to jail.

Mr. VENABLE. That comes purely from the necessary operation of law. Having decided it wrongfully, he suffers the penalty. He has my sympathy, although I admire his honesty if he was honest. But a man can not come here, if there still remains in this Congress a belief in Deity, and invoke the Deity to withdraw from him all His blessings if he fails to defend and observe the Constitution as against all enemies and shift that personal responsibility because there happens to be a judicial tribunal before whom the question can be eventually brought. [Applause.]

Mr. HENRY T. RAINEY. Mr. Speaker, I yield five minutes to the gentleman from Ohio [Mr. GARD].

Mr. GARD. Mr. Speaker, when the résumé of this bill of private assessment shall have been finally determined, in my mind there will one thing be considered as establishing a great forward step by the American people, and that is the enactment in it of a proper child-labor law, because I believe implicitly as a permanent governmental principle that of which the gentleman from Mississippi [Mr. VENABLE] complains. The language in this amendment provides that a child of tender years shall not work in a mine or quarry, or shall not work in a public cannery or workshop or factory; and that is deterrent to one who deliberately assaults public life—because that is what it is, it is an assault on the public life—when he deliberately seeks to exploit the labor of children and to distort and ruin their lives.

I agree in general with what the gentleman from Mississippi said about legislation by riders, but this is a matter of proper legislation by rider. But very recently the Supreme Court of the United States passed upon a separate bill in the case of Hammer against Dagenhart, the case involving the application of child labor in so far as it prohibited the transportation in interstate commerce of goods made by child labor.

This separate measure which was construed by the Supreme Court was presented to this House, if I recall correctly, by the gentleman from Colorado [Mr. KEATING]. It was declared to be unconstitutional by the Supreme Court of the United States, so that now we face not a question of unconstitutionality, but we face, as the gentleman from Mississippi [Mr. VENABLE] says, the question of voting as our consciences demand. As we face the world, we are to vote now not on the question of what the Supreme Court will say, because the Congress has the right to enact this legislation, but we vote as our consciences dictate, and my conscience dictates that I vote for the salvation of American childhood. [Applause.]

There has never been a stronger statement made in a judicial decision than that made by Mr. Justice Holmes in his minority opinion in the case already cited, wherein he said that "the public policy of the United States is shaped with a view to the benefit of the Nation as a whole." There is an enunciation from the highest court of the land that the United States is a Union of States, and that the benefit of the Nation is for its benefit as a whole. In the same opinion he says:

But if there is any matter upon which civilized countries have agreed, it is the evil of premature and excessive child labor.

The gentleman from Mississippi—

Mr. VENABLE. Mr. Speaker, I am sure the gentleman from Ohio does not want to convey the idea that I had one thing in mind when I had another. I referred to the conscience of a Member as to his conclusion on the constitutionality of this matter, and not to the merits of child labor. We all agree that it is an outrageous wrong to abuse the child in a factory, but it is simply a question of how the matter shall be regulated, and the power of Congress to do it. On the merits of the proposition the gentleman and I are in full accord.

Mr. GARD. Mr. Speaker, I am very glad that the gentleman is in full accord with me on the great subject of child labor, and I am sure that he must be in full accord with me upon that which is presented in this bill, because there is absolutely no question here but that the legislation which is being enacted in this revenue bill is entirely within the power of this legislative body to enact. When it is said, as it is in this provision, that the greatest evil to civilized countries is the evil of premature and excessive child labor, then I say that this form of legislation—proper as it is—is responsive to the demands of humanity, and builds through strong men and women of the future for the security of our great Republic.

The SPEAKER. The time of the gentleman from Ohio has expired.

By unanimous consent, Mr. GARD was given leave to extend his remarks in the RECORD.

Mr. HENRY T. RAINEY. Mr. Speaker, I yield 15 minutes to the gentleman from Mississippi [Mr. HUMPHREYS].

Mr. HUMPHREYS. Mr. Speaker, the gentleman from Ohio [Mr. GARD], although seeming to read from the opinion "of the highest court in the land," did not, as a matter of fact, read from the opinion of that court. He read from the dissenting opinion of a justice sitting upon the bench of the Supreme Court, which opinion the court, in the very case at bar, declared was not the opinion of the highest court in the land. It was the opinion of a very able lawyer, but it is not the opinion of the Supreme Court.

Mr. GOODWIN of Arkansas. Mr. Speaker, the gentleman means to say that that was a dissenting opinion by Mr. Justice Holmes?

Mr. HUMPHREYS. The dissenting opinion by Mr. Justice Holmes. A gentleman on the Democratic side of the House a few moments ago asked a question of my colleague who was addressing the House as to the "fundamental principle" in the cotton-exchange tax, which brings a thought to my mind. I believe it is in order under the rules still to refer to the Democratic platform. The Democratic Party has elected two men to the Presidency within the past sixty-odd years, and only two. Each of those men was elected on a platform which contained this declaration—and I took those declarations so seriously and quoted them so frequently that it is not necessary for me to refer to the text. I can quote them from memory, for I remember it very well. That declaration is that "it is a fundamental principle of the Democratic Party"—not a passing fancy, mark you, not a paramount issue, not "molasses to catch flies," but—

It is a fundamental principle of the Democratic Party that the Federal Government has no constitutional power to levy taxes, except for the purpose of revenue only.

Upon that platform a few years ago we nominated Mr. Woodrow Wilson for President of the United States, and in accepting the nomination, speaking to this particular plank, he used this language:

Our own clear conviction, as Democrats, is that in the last analysis the only safe and legitimate object of tariff duties, as of taxes of every other kind, is to raise revenue for the support of the Government.

Mr. COOPER of Wisconsin. Mr. Speaker, will the gentleman yield?

Mr. HUMPHREYS. Well, I shall submit, although I do not think this is a matter in which the gentleman from Wisconsin is concerned. I was talking about a Democratic doctrine. [Laughter.]

Mr. COOPER of Wisconsin. I want just to ask one question; that is all.

The SPEAKER. Does the gentleman yield or not?

Mr. HUMPHREYS. I yield.

Mr. COOPER of Wisconsin. The gentleman says the only legitimate object of taxation is to raise revenue.

Mr. HUMPHREYS. That is what the gentleman who accepted the nomination for the Presidency on the Democratic ticket said.

Mr. COOPER of Wisconsin. The gentleman from Mississippi, of course, knows well that Congress voted a tax of 10 per cent on State bank issues ostensibly to raise revenue, but everybody knew it was for no such purpose.

Mr. HUMPHREYS. It was not—

Mr. COOPER of Wisconsin. But that it was to extinguish the issues of State banks, and that was held to be constitutional by the Supreme Court of the United States.

Mr. HUMPHREYS. It was not "a safe or legitimate object" of taxation. Congress has the constitutional power to levy taxes on the issues of State banks, on oleomargarine, or white phosphorus matches, of course, and if all the children engaged in labor in the United States were engaged in the manufacture of cravats Congress would have the power to levy a tax on the manufacture of cravats so high that it would destroy the business, but the Supreme Court has never gone beyond this and never will go beyond it, that in levying taxes the Federal Government can not go beyond the scope of Federal authority to seek its object of taxation. It never has said more than that. Oh, we all know the case of McCulloch against Maryland, quoted so often in this House, but I will refer to that once more. It is the fundamental case on taxation and the power to tax. The opinion was delivered by John Marshall, perhaps the greatest judge who ever presided over any court in all the history of the world, and in determining the power of taxation he said this:

It may be objected to this definition that the power of taxation is not confined to the people and property of a State. It may be exercised upon every object brought within its jurisdiction. This is true. But to what source do we trace this right?



Now, listen to this:

It is obvious that it is an incident of sovereignty and is coextensive with that to which it is an incident. All subjects over which the sovereign power of a State extends are objects of taxation; but those over which it does not extend are, upon the soundest principles, exempt from taxation. This proposition may almost be pronounced self-evident.

Now, is this a subject over which the scope of Federal authority extends? We do not have to speculate on that. The Supreme Court a very short while ago, from the dissenting opinion in which case the gentleman from Ohio quoted, not from the opinion of the court, said this:

We have neither authority nor disposition to question the motives of Congress in enacting this legislation. The purposes intended must be attained consistently with constitutional limitations and not by an invasion of the powers of the States. This court has no more important function than that which devolves upon it the obligation to preserve inviolate the constitutional limitations upon the exercise of authority, Federal and State, to the end that each may continue to discharge, harmoniously with the other, the duties intrusted to it by the Constitution.

In our view the necessary effect of this act is, by means of a prohibition against the movement in interstate commerce of ordinary commercial commodities, to regulate the hours of labor of children in factories and mines within the States, a purely State authority. Thus the act in a twofold sense is repugnant to the Constitution. It not only transcends the authority delegated to Congress over commerce but also exerts a power as to a purely local matter to which the Federal authority does not extend.

Mr. KEATING. Will the gentleman yield there?

Mr. HUMPHREYS. I will.

Mr. KEATING. I understood the gentleman to say that that was from the dissenting opinion.

Mr. HUMPHREYS. The gentleman misunderstood me. The gentleman from Ohio [Mr. GARD] quoted from the dissenting opinion, but announced that it was the opinion of "the highest court in the land." I am reading from the opinion of the court.

Mr. KEATING. I misunderstood you.

Mr. HUMPHREYS. The court says what? That this is "purely a local matter to which the Federal authority does not extend," and the Supreme Court says if the Federal authority does not extend to it it is exempt from taxation. So says John Marshall in *McCulloch* against Maryland.

And then there is another old case with which we are all familiar—the case of *Gibbons* against *Ogden*. In this the court said:

Congress is not empowered to tax for those purposes which are within the exclusive province of the State.

This is not an open question any further. The court, in the very recent child-labor decision, says that the regulation of the hours of labor is in the exclusive province of the State, and that Congress has no power to legislate for that purpose. The subject matter is not within the scope of Federal sovereignty, and *McCulloch* against Maryland says Congress can not levy a tax upon it because all such objects are exempt from taxation.

"The purpose is in the exclusive province of the State, and therefore," says *Gibbons* against *Ogden*, "Congress is without power to tax it." Now, I do not regard President Wilson as a great lawyer. Of course, I would not set his opinion up with the opinion of John Marshall or with the opinion of the Supreme Court of the United States, and yet he is, as we all know, one of the foremost men of all the world, one of the world's great statesmen, and he was for many years a lecturer on constitutional law in one of the great universities of this country. I quote from a lecture which he habitually delivered and which was subsequently published in his book on constitutional government. I quote from his lecture on that subject.

Referring to that clause of the Constitution which confers upon Congress the right to regulate commerce among the several States, he says:

Its power is "to regulate commerce between the States," and the attempts now made during every session of Congress to carry the implications of that power beyond the utmost boundaries of reasonable and honest inference show that the only limits likely to be observed by politicians are those set by the good sense and conservative temper of the country.

The proposed Federal legislation with regard to the regulation of child labor affords a striking example. If the power to regulate commerce between the States can be stretched to include the regulation of labor in mills and factories, it can be made to embrace every particular of the industrial organization and action of the country. The only limitations Congress would observe, should the Supreme Court assent to such obviously absurd extravagancies of interpretation, would be the limitations of opinion and of circumstance.

That is what Woodrow Wilson said as a lecturer on constitutional law to his classes at Princeton.

Mr. LONDON. Will the gentleman yield?

Mr. HUMPHREYS. For a question.

Mr. LONDON. Does the gentleman mean to imply that President Wilson has not learned anything since he wrote that?

Mr. HUMPHREYS. Of course, I have no doubt he has learned a great deal. He has learned this—that the matter has gone to the Supreme Court of the United States and the issue squarely presented, and that the Supreme Court tracked, almost to the

wording itself, the opinion he gave to his class and showed that as a lecturer upon constitutional law at Princeton his judgment in this particular matter was entirely accurate and warranted.

Mr. DENISON. Will the gentleman yield?

Mr. HUMPHREYS. I yield.

Mr. DENISON. I was going to ask my friend from Mississippi if the President, as a matter of fact, did not change his mind upon that question before the Supreme Court made a decision?

Mr. HUMPHREYS. He did; but the Supreme Court thought the opinion of the lecturer on constitutional government at Princeton was sounder than the opinion of the President of the United States subsequently expressed.

Mr. IGOE. I wanted to ask the gentleman if he can distinguish between the power of Congress to regulate through the taxing power the dealing in futures and this?

Mr. HUMPHREYS. Yes; I can. I voted against the tax to regulate cotton futures. I voted against the tax on the white-phosphorus matches. So "let the galled jade wince; our withers are unwrung." I have not consciously voted during my long service in this House to exercise the power of taxation except for the purpose of raising revenue.

Now, what purpose have we in doing this? Not to raise revenue. Nobody claims that; and, if the gentleman from Missouri will honor me with his attention, I will endeavor to differentiate this pending proposition from the bank-tax case, the oleomargarine tax, the cotton-exchange tax, and other similar cases. No divinity hedges about bank notes, oleomargarine, phosphorus matches, and so forth. They are all clearly proper subjects of taxation if the tax, in the opinion of Congress, will produce revenue wherewith to pay the debts and provide for the common defense and general welfare. They are all objects within the scope of Federal sovereignty, and therefore subjects for taxation, and the Supreme Court in passing upon the constitutionality of these laws refused to inquire into the legislative purpose. They refused to listen to the stories which were told them to the effect that Congress had really levied those taxes for the unconstitutional purpose of destroying the enterprise taxed.

These were all innocent-looking laws, every one of them preceded by the declaration—untrue, to be sure, but nevertheless there—"in order to provide revenue," and so forth, "Be it enacted," and so forth. The court refused to believe or to listen to any gossip deforms the record that Congress was cheating, and pointed in justification of their faith in a coordinate branch of the Government to the law itself, and there it was—O spirit of Talleyrand!—"In order to provide revenue," and so forth.

But we are growing in grace; we are becoming frank; we have thrown off dissimulation; we write now in the very face of the law itself: "Tax on employment of child labor."

Let me read it:

#### TITLE XII.—TAX ON EMPLOYMENT OF CHILD LABOR.

SEC. 1200. That every person (other than a bona fide boys' or girls' canning club recognized by the agricultural department of a State and of the United States) operating (a) any mine or quarry situated in the United States in which children under the age of 16 years have been employed or permitted to work during any portion of the taxable year; or (b) any mill, cannery, workshop, factory, or manufacturing establishment situated in the United States in which children under the age of 14 years have been employed or permitted to work, or children between the ages of 14 and 16 have been employed or permitted to work more than eight hours in any day or more than six days in any week, or after the hour of 7 o'clock post meridian, or before the hour of 6 o'clock ante meridian, during any portion of the taxable year, shall pay for each taxable year, in addition to all other taxes imposed by law, an excise tax equivalent to 10 per cent of the entire net profits received or accrued for such year from the sale or disposition of the product of such mine, quarry, mill, cannery, workshop, factory, or manufacturing establishment.

There it stands in all its nakedness, boldly refusing to hide its shame or its unlawful purpose. No less a personage than a member of the Cabinet only a few years ago in almost a passion of indignation declared on this floor that it was "a prostitution of the taxing power." Yet here it is to look the Supreme Court straight in the eyes, neither "honest nor legitimate," according to the President, yet impudently associating with all the other statutes of the realm and brazenly claiming the right of equality in the society of these other lawfully begotten children of our brain. When the court is told now of this unwarranted attempt by Congress to usurp the powers of the States they can not choose but hear!

Can Congress lay a tax on all marriage ceremonies which are performed by a Christian minister? Can Congress tax the products of the farm, the factory, or the mine in all States which do not grant suffrage to women or which prescribe a property or educational qualification for the voter? Can we tax all cotton where the farmer permits his hired hands to go to the field before 7 o'clock in the morning or remain after 5 in the afternoon? And if not, why not? The only reason which can

be assigned against it is that these subjects are not within the scope of Federal power. The Supreme Court has in this very latest volume of its printed reports most solemnly and unequivocally declared that the employment of child labor is not within the scope of Federal sovereignty, and yet it is proposed to tax it. If this is constitutional, so would the other be. No wonder the court declared:

That if Congress can thus regulate matters entrusted to local authority . . . all the powers of the States over local matters may be eliminated, and thus our system of Government be practically destroyed.

Why should we at this particular time flagrantly violate the Constitution of the United States? What will it lead to?

The SPEAKER. The time of the gentleman from Mississippi has expired.

Mr. HUMPHREYS. Can I have five minutes more?

Mr. HENRY T. RAINEY. I will yield the gentleman five minutes.

The SPEAKER. The gentleman is recognized for five minutes more.

Mr. HUMPHREYS. Where are you going? This is not the opinion of a debater in the heat of debate. This is the deliberate opinion of the Supreme Court. Where do you think we are going if you do this? I read from the child-labor decision:

The far-reaching result of upholding the act can not be more plainly indicated than by pointing out that if Congress can thus regulate matters entrusted to local authority by prohibition of the movement of commodities in interstate commerce all freedom of commerce will be at an end and the powers of the States over local matters may be eliminated, and thus our system of government be practically destroyed.

What is it that makes the heads of the chancelleries of all Europe rest uneasily on their pillows to-night? What is it that inspires with fear the liberty-loving peoples of the earth who believe in a government to protect life, liberty, and property? What is it that makes them look to the future now with anxiety? It is because on the horizon we see the ugly visage of bolshevism rising. To do what? To overturn orderly government in the world. How can we in this country—I ask you seriously—how can we in this country expect against this menace of bolshevism to maintain our system of government under the law and under the Constitution if we here now, in response to some imaginative clamor coming up from the people, do what the Supreme Court of the United States says we will do—take the last step toward the destruction of our system of government?

It does occur to me, Mr. Speaker, that in these times those of us who love orderly government ought to be clasping the Constitution to our hearts tighter than ever before, and in view of the storm that is threatening us to-day to cling to it as we would to the Rock of Ages. Under our Constitution this Government has grown, as no other country has grown, in physical power and in righteousness. We have sent our boys abroad to spread the beneficent light of our stars throughout the world, that those who love liberty and seek it may find a way. They have done well; and when they are returned I for one want to be able to look them squarely in the face and say to them, "My boys, I could not go with you to France and make the sacrifice on the battle field to preserve our system of government. I remained here in the place of high responsibility to which you appointed me. But while you fought and conquered and won peace over there, I also kept the faith." [Applause.]

The SPEAKER. The time of the gentleman from Mississippi has again expired.

Mr. DICKINSON. Mr. Speaker, I ask unanimous consent to extend my remarks.

The SPEAKER. The gentleman from Missouri asks unanimous consent to extend his remarks. Is there objection?

There was no objection.

Mr. HENRY T. RAINEY rose.

Mr. MOORE of Pennsylvania. Mr. Speaker, will the gentleman from Illinois yield?

Mr. HENRY T. RAINEY. Yes.

Mr. MOORE of Pennsylvania. Will there be any further speeches on the gentleman's side?

Mr. HENRY T. RAINEY. No.

Mr. MOORE of Pennsylvania. This will be the last?

Mr. HENRY T. RAINEY. Yes. I shall conclude the argument. I wish to be recognized for 15 minutes, Mr. Speaker.

The SPEAKER. The gentleman from Illinois is recognized for 15 minutes.

Mr. HENRY T. RAINEY. Mr. Speaker, in concluding the debate on this the greatest revenue bill in the history of nations, I desire at the outset to pay my tribute to the gentleman whose name it will bear.

Unswerving honesty, uninfluenced by fulsome flattery or by virulent criticism, ability of a high order, with energy and the hardest kind of work, have characterized the efforts of the gen-

tleman from North Carolina [Mr. KITCHIN] [applause]; and I would be remiss in what I conceive to be my duty if I did not say of the gentleman from Michigan [Mr. FORDNEY], the ranking minority member on the committee, that absolute lack of partisanship, a high sense of duty, a devotion to high ideals, and patriotism of the highest order have characterized throughout these discussions the efforts of the gentleman from Michigan [applause], who, I presume, will soon be assigned by the present minority in this House, soon to become the majority, to a more important position than he even now occupies. [Applause.]

And I will say of the conferees on both sides, and of the members of the Ways and Means Committee, both Republicans and Democrats, that throughout the strenuous labors, extending over almost a year of time, which have characterized their efforts in the preparation of this bill and in its passage through this House, and in its final passage to-day, partisanship has been forgotten, and only patriotism and a high sense of duty, have prevailed throughout. And I want to say of these two young gentlemen, who under the rules of this House are permitted to be here on the floor to-day, Mr. John E. Walker, clerk of the Committee on Ways and Means [applause], and Mr. Middleton Beaman [applause], the bill-drafting expert furnished to the Congress by Columbia University—and we pay none of his compensation—I want to say of them that at the present time they know more about the tariffs and the taxes imposed and to be imposed by this Congress, and more about the tariffs and the taxes imposed by other nations, than any other two men in all the world. [Applause.]

#### FUTURE TAXING BILLS.

In the brief time in which I shall address the House I want to discuss not so much this bill as future bills, because I anticipate that, during the life of the Congress so soon to commence, the same nonpartisan characteristics will prevail as have prevailed during this Congress in the preparation of taxing bills. We all of us know that there must be a revision of the tariff; we know it must come in the immediate future; and we know that when the readjustment of nations occurs tariff readjustments here will be necessary. Our own bill, drawn principally, to meet German competition, is no longer tenable; and we know there must be other and different methods adopted for collecting internal revenue. The time has passed in the history of this country when taxes can be concealed, when people can be persuaded that they are not paying taxes, when taxes collected at our ports and excise taxes are sufficient to run this great Government. From now on through the future years, as long as any man now living lives, we must collect from systems of internal taxation alone every year three or four times as much as we collected from all sources under the old system which was possible and which prevailed prior to the great war.

#### THIS BILL WILL BE CRITICIZED.

The bill we are just sending out will meet with most violent criticism. It levies an enormous burden of taxation, and as the months pass we will begin to understand that it levies it in a manner to a very large degree illogical; but we have been compelled to build upon the foundations already existing in drafting these war measures. We have been compelled to develop the Civil War method of levying taxes. We have been compelled to study and to apply to our own conditions methods of levying taxes adopted in the warring nations; and in obedience to the clamor throughout the country we have been compelled to reduce this bill below the amount it carried when it left this House. We know now that at the conclusion of the present fiscal year we will have expended during the year for the purpose of carrying on this great Government the enormous sum of \$19,000,000,000, and we know now that we will be able to get through this fiscal year with one more bond issue. I agree with the gentleman from North Carolina [Mr. KITCHIN] in his conclusion that next year—during the fiscal year ending June 30, 1920—it will be necessary for us to raise in some way at least \$10,000,000,000. Whether we shall be required to raise and to expend more than that amount during the fiscal year ending in June, 1920, will depend upon how long this House and the Senate remain in session this summer.

If the House and Senate remain in session, even \$10,000,000,000 will not pay the bill, because we are compelled to admit—some of us—that when it comes to expenditures of money and to demands on the Treasury of the United States, this House and the other branch also have almost failed to function.

#### MUST REVISE RULES.

First of all, we need a revision of the methods of procedure in this House, some kind of a budget committee with some powers assigned it, some rules which will prevent amendments from the floor for reasons purely sentimental which take out of the Treasury large sums of money and distribute them among



large numbers of people. We shall be compelled to meet this condition of affairs in the near future by revising the rules of this House. And I want to say to the Republicans that when they present a logical method of revising the rules, and the changed conditions make it necessary, they will find some of us on this side, including myself, supporting them most enthusiastically and to the very best of our ability. [Applause.]

#### THREE KINDS OF INTERNAL-REVENUE TAXES.

I would like to see, so far as I am concerned, just three kinds of internal-revenue taxes levied in this country. I would like to see taxes on individual incomes, I would like to see taxes on estates, and I would like to see excise taxes levied upon tobacco. That is all.

We must arrive at some system of levying taxes in this country of which the people can not complain that all are not being treated alike. An income tax answers that sort of condition. An income tax is fair; nobody can be heard to complain. It is graduated all the way up.

Is it not wrong from an economic standpoint to tax industry? Taxing an industry is like hanging weights on the wheels of some great, powerful, but easily disturbed machine. We can tax the incomes from industry after they reach individuals. These industries we are hampering with taxes do not belong to the men who operate them; they belong to the 100,000,000 people who live here in the United States. The men who operate and control them are only the trustees who have charge of them. It is an awful thing to injure industries with taxes.

The SPEAKER. The time of the gentleman from Illinois has expired, and all time has expired.

Mr. MANN. Mr. Speaker, I ask unanimous consent that the gentleman from Illinois have more time.

The SPEAKER. Is there objection?

There was no objection.

Mr. HENRY T. RAINEY. We preserve in this bill these three methods of levying taxes. The estate tax as the years pass will be apparently more and more necessary. We have at the present time in the United States I do not know how many millionaires, developed by this war. When the war started we had 7,000, the next year we had 10,600, and the next year 17,085. If that ratio of progress, which of course has not been kept up since we commenced to levy taxes, if that ratio continued we would have 60,000 at the present time.

It is safe to say, without any expectation of successful contradiction, that at the present time we have in the United States 30,000 millionaires, 22,000 of whom have been created by this war. These increased estates must be taken care of in some way. We must distribute them by estate taxes upon the death of the persons who now control them. Some days ago I estimated that we have at the present time 25,000 millionaires in the United States. I have reason to believe that estimate was much too small.

It is an easy matter to distribute estates by this method of taxing them; I do not care whether it is done by the States or by the National Government. I know the States will not do it unless the National Government does do it. They have been trying, some of them, to levy taxes on inheritances or upon estates for over 100 years and have accomplished practically nothing in that direction. I would like to see at some time in the future a tax levied by the National Government upon estates, a high tax, graduated, highest upon the greatest estates providing for credits of the amounts levied by the various States. In that way we will be able to distribute large portions of these large estates at the death of the persons who control them. If we do not do it at their death, we will find mobs in this country insisting on doing it while they live. [Applause.]

#### OUR COMPLICATED TAXING SYSTEM.

The numerous pages of this great revenue bill contain hundreds of carefully drawn but technical and complicated paragraphs. In our efforts to conceal taxes and make it apparently easier to pay them, we have inserted paragraphs relating to amortization, depletion, deductions, normal taxes, flat rates, war profits, excess profits, estate taxes, excise taxes, special taxes, and other complicated and technical paragraphs on other subjects. Under the system I propose our methods can be simplified so that taxpayers will not be compelled to employ experts in order to make out their schedules.

#### HOW OUR SYSTEM BURDENS BUSINESS.

In this bill and in all the bills we have passed we impose burdensome taxes upon the transaction of business. We tax bonds, we tax also the original issues of capital stock, capital-stock sales, sales of produce on exchanges, drafts or checks payable not on demand, deeds of conveyance, powers of attorney, passage tickets to Canada and Mexico, proxies for voting at meetings of

corporate stockholders, parcel-post packages. In fact, there does not seem to be any of the ordinary methods of transacting business which have escaped.

#### OUR ILLOGICAL METHODS OF LEVYING TAXES.

In this bill we levy a tax on women's hose which cost more than \$2, while a silk dress may be bought by a millionaire's wife for \$1,000 and escape taxes. We tax men's shirts which cost over \$3, women's hats which cost more than \$15, fans which cost more than \$1, shoes which cost more than \$10, men's and boys' caps which cost more than \$2, umbrellas which cost more than \$4—all upon the theory that they are luxuries. But if we tax these articles upon the theory that they are luxuries, upon what theory do we tax medicines, pills, and tablets when sold by or for a dealer? Are they luxuries? We tax tooth pastes, perfumes, toilet waters, and hair dyes. Do we do that upon the theory that they are luxuries? Why should we tax articles that are sold in a drug store and not tax articles that are sold in a grocery store? Upon what theory can we tax automobiles? Are they luxuries? They are considered necessities at the present time in the rural sections as well as in the cities.

We propose, however, to take all the so-called luxury taxes out of this bill as soon as it becomes a law by passing through the Congress a joint resolution—a long step in the direction of the system I am advocating.

#### A METHOD OF SIMPLIFYING TAXES.

I propose hereafter to advocate individual income taxes to the very best of my ability, an income-tax system which contemplates taking the taxes entirely off industrial organizations and off all the instruments used for the transaction of business, a system which will preserve intact the business of the country and which will reach the incomes of individuals only. There are easy methods by which we can compel corporations to distribute, when they do not properly distribute, earnings, and when the money reaches the bank accounts of individuals the Government can then reach out and take any amount of it that may be necessary, without interfering with business and without interfering with the wages of labor. As a matter of fact, the amount of taxes we will obtain in this bill from any other source than the sources I have mentioned is almost negligible. According to our estimates we will obtain during the next fiscal year from taxes on incomes, including individual and corporate incomes, \$4,762,000,000. We will obtain from taxes on cigars and tobaccos \$250,000,000, and from taxes on estates \$115,000,000, making a total of \$5,127,000,000. This leaves a balance of less than \$1,000,000,000 which we obtain from the oppressive methods of burdening business and industry which I have been discussing.

#### A COMMODITIES SALES TAX.

A very small tax, indeed, on sales, to be paid either by the vendor or the vendee, would yield an immense sum of money. From a tax of this character we could exclude foods and medicines and tax every other transaction. There could be no complaint with reference to this tax that some persons were being unfairly discriminated against. It would not bear heavier upon one business than another business. A very light tax indeed, varying, of course, with the amount of the sales, could be levied which would produce a billion dollars. A tax of this character could be expanded indefinitely.

#### MORE SHOULD PAY TAXES.

In 1916 out of the 110,000,000 people living then within the boundaries of continental United States only 437,036 paid income taxes to the National Government. More than that will pay this year, but not many more. A citizen who does not contribute something, no matter how small, toward the support of the National Government does not develop that interest in the affairs of the Government which makes of him the best citizen. The income-tax exemptions ought to be lowered to a point where it is profitable to collect, and of course ought to be assessed and graduated with reference to the ability of the persons taxed to pay.

Whenever the amount collected is not materially larger than the amount expended in the collection of it, it is not advisable to collect. Our exemptions can be materially lowered, and we can obtain in that way in small amounts a tremendous revenue, and we can add some millions of taxpayers to the very small number who now pay taxes, and in that way we can increase the number of stockholders in this great Government of ours—who will be interested in its affairs and anxious for the success of our form of Government. At the present time we have less than 500,000 stockholders in the enterprise of carrying on this great Government.

## OUR INCREASING NATIONAL EXPENDITURES.

It is going to take more money than ever to provide for the necessities of the National Government. If we supply a reasonable sinking fund with which to retire our bonded indebtedness, the tax for that purpose, together with the interest on our bonded indebtedness, will soon mean an annual expenditure of \$1,600,000,000—nearly twice the amount of our entire national expenditures a few years ago—and there must be added to this very large amount all the expense of conducting this Government, including the expenses of our Army and Navy and any public improvements Congress may authorize.

For the next 25 years we can not expect a national annual expenditure much less than \$4,000,000,000, and we may as well get ready for it with a logical taxing system. We can not expect much revenue at our ports. As compared with our tremendous national expenditures, the revenue we can get at our ports will be almost negligible. The system which appeals to me on account of its simplicity, and the system we ought to speedily develop, ought to include only individual taxes, excise taxes on tobaccos, estate taxes, and the amount we can get at our ports out of taxes levied for revenue only. Whenever we release business from the burdens we have been placing upon it and establish the very simple system which I have suggested, we can enter upon an era of prosperity unparalleled in the history of nations, and we will be able to retain the position in the sun which by right belongs to us through the centuries to come. [Applause.]

Mr. VENABLE. Mr. Speaker—

The SPEAKER. For what purpose does the gentleman rise?

Mr. VENABLE. I rise to make a motion to recommit.

The SPEAKER. The Clerk will report it.

The Clerk read as follows:

Motion to recommit by Mr. VENABLE: "I move to recommit the conference report to the committee of conference with instructions to the managers on the part of the House to disagree to Senate amendment No. 546, and that they further insist on the disagreement of the House thereto."

Mr. KITCHIN. On that, Mr. Speaker, and on the conference report I demand the previous question.

The previous question was ordered.

The question was taken; and on a division (demanded by Mr. HUMPHREYS) there were 15 yeas and 171 noes.

So the motion to recommit was lost.

The SPEAKER. The question now is on agreeing to the conference report.

Mr. KITCHIN and Mr. GARNER asked for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 312, nays 11, answered "present" 13, not voting 93, as follows:

## YEAS—312.

Alexander	Copley	French	Johnson, Ky.
Anderson	Cramton	Fuller, Ill.	Johnson, Wash.
Anthony	Crisp	Gandy	Jones
Asbbrook	Crosser	Gard	Juul
Aswell	Currie, Mich.	Garland	Kearns
Austin	Curry, Cal.	Garner	Keating
Ayres	Dale	Garrett, Tenn.	Keohoe
Baer	Dallinger	Garrett, Tex.	Kelly, Pa.
Bankhead	Darrow	Glynn	Kennedy, Iowa
Barkley	Davis	Good	Kennedy, R. I.
Barnhart	Decker	Goodwin, Ark.	Kettner
Beakes	Dempsey	Gordon	Kiess, Pa.
Bell	Denison	Graham, Ill.	Kincheloe
Beshlin	Denton	Gray, Ala.	King
Black	Dewalt	Green, Iowa	Kinkaid
Bland, Va.	Dickinson	Greene, Mass.	Kitchin
Blanton	Dill	Greene, Vt.	Knutson
Bowers	Dillon	Gregg	Kraus
Brand	Dixon	Griffin	Lampert
Brodbeck	Dominick	Hadley	Larsen
Browne	Dooling	Hamilton, Mich.	Lazaro
Browning	Doolittle	Hamlin	Lea, Cal.
Burnett	Doughton	Hardy	Lee, Ga.
Burroughs	Dowell	Harrison, Miss.	Lehlbach
Butler	Dunn	Harrison, Va.	Leshner
Byrnes, S. C.	Dupré	Haskell	Lever
Byrns, Tenn.	Eagan	Hastings	Little
Caldwell	Eagle	Haugen	Lobeck
Campbell, Kans.	Edmonds	Hawley	London
Campbell, Pa.	Elliott	Hayes	Loneragan
Candler, Miss.	Ellsworth	Heflin	Longworth
Cannon	Elston	Hensley	Luffkin
Cantrill	Esch	Hersey	Lunn
Caraway	Fairchild, B. L.	Hicks	McArthur
Carter, Mass.	Fairchild, G. W.	Holland	McClintic
Carter, Okla.	Fairfield	Hollingsworth	McCormick
Chandler, Okla.	Farr	Houston	McFadden
Clark, Pa.	Ferris	Howard	McKenzie
Classon	Fields	Huddleston	McKeown
Cleary	Fisher	Hull, Iowa	McLaughlin, Mich.
Collier	Flood	Hull, Tenn.	McLaughlin, Pa.
Connally, Tex.	Focht	Hutchinson	Madden
Connelly, Kans.	Fordney	Igoe	Magee
Cooper, Ohio	Foss	Ireland	Maher
Cooper, W. Va.	Foster	Jacoway	Mann
Cooper, Wis.	Freeman	James	Mansfield

Mapes	Purnell	Shouse	Tinkham
Martin	Quin	Siegel	Towner
Mason	Ragsdale	Sims	Treadway
Mays	Rainey, H. T.	Sinnott	Vare
Merritt	Rainey, J. W.	Slemp	Vestal
Miller, Wash.	Raker	Sloan	Vinson
Mondell	Ramseyer	Small	Voigt
Moon	Randall	Smith, Idaho	Volstead
Moore, Pa.	Rankin	Smith, Mich.	Walsh
Moores, Ind.	Reavis	Smith, C. B.	Walton
Morgan	Reed	Smith, T. F.	Wason
Morin	Riordan	Snell	Watkins
Mott	Roberts	Snook	Watson, Pa.
Mudd	Robinson	Stafford	Weaver
Nelson, A. P.	Rodenberg	Steagall	Webb
Nelson, J. M.	Rogers	Stedman	Welling
Nicholls, S. C.	Romjue	Steele	Welty
Nichols, Mich.	Rouse	Steenerson	Whaley
Oldfield	Rubey	Stephens, Nebr.	Wheeler
Oliver, Ala.	Rucker	Sterling	White, Me.
Oliver, N. Y.	Sabath	Stiness	Williams
Olney	Sanders, Ind.	Sullivan	Wilson, Ill.
Osborne	Sanders, La.	Summers	Wilson, La.
O'Shaunessy	Sanders, N. Y.	Sweet	Wilson, Tex.
Overmyer	Sanford	Switzer	Wingo
Overstreet	Saunders, Va.	Taylor, Colo.	Wingslow
Padgett	Schall	Temple	Wood, Ind.
Parker, N. J.	Scott, Iowa	Thomas	Woods, Iowa
Parker, N. Y.	Scott, Mich.	Thompson	Woodyard
Peters	Shackelford	Tillman	Wright
Phelan	Shallenberger	Tilson	Young, N. Dak.
Polk	Sherwood	Timberlake	Young, Tex.

## NAYS—11.

Blackmon	Humphreys	Rayburn	Stephens, Miss.
Dies	Langley	Sells	Venable
Dyer	Powers	Sisson	

## ANSWERED "PRESENT"—13.

Buchanan	Gallagher	Miller, Minn.	Tagoe
Carlin	Gallivan	Neely	
Cary	Hayden	Pou	
Emerson	Kelley, Mich.	Ramsey	

## NOT VOTING—93.

Almon	Drukker	Husted	Rowe
Bacharach	Essen	Johnson, S. Dak.	Rowland
Benson	Estopinal	Kahn	Russell
Birch	Evans	Key, Ohio	Scully
Bland, Ind.	Fess	Kreider	Sears
Booher	Flynn	La Follette	Sherley
Borland	Francis	La Guardia	Slayden
Britten	Frear	Linthicum	Snyder
Brumbaugh	Fuller, Mass.	Littlepage	Stevenson
Carew	Gillett	Lundeen	Strong
Chandler, N. Y.	Godwin, N. C.	McAndrews	Swift
Church	Goodall	McCulloch	Taylor, Ark.
Clark, Fla.	Gould	McKinley	Templeton
Claypool	Graham, Pa.	McLemore	Van Dyke
Coady	Gray, N. J.	Montague	Waldow
Costello	Griest	Nolan	Walker
Cox	Hamill	Norton	Ward
Crago	Hamilton, N. Y.	Paige	Watson, Va.
Davey	Heaton	Park	White, Ohio
Delaney	Helntz	Platt	Wise
Dent	Helm	Porter	Zihlman
Donovan	Helvering	Pratt	
Doremus	Hillard	Price	
Drane	Hood	Rose	

So the conference report was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. MONTAGUE (for) with Mr. LaGUARDIA (against).

Until further notice:

Mr. CAREW with Mr. GOODALL.

Mr. ESTOPINAL with Mr. EMERSON.

Mr. WHITE of Ohio with Mr. NORTON.

Mr. BRUMBAUGH with Mr. COSTELLO.

Mr. BENSON with Mr. BLAND of Indiana.

Mr. POU with Mr. BRITTEN.

Mr. BUCHANAN with Mr. BACHARACH.

Mr. BOOHER with Mr. NOLAN.

Mr. CLARK of Florida with Mr. CRAGO.

Mr. ALMON with Mr. FREAR.

Mr. COADY with Mr. FESS.

Mr. DELANEY with Mr. FULLER of Massachusetts.

Mr. DENT with Mr. KAHN.

Mr. DONOVAN with Mr. GRAHAM of Pennsylvania.

Mr. HAMILL with Mr. GRIEST.

Mr. HELM with Mr. HUSTED.

Mr. HELVERING with Mr. KREIDER.

Mr. LINTHICUM with Mr. McCULLOCH.

Mr. LITTLEPAGE with Mr. PLATT.

Mr. McANDREWS with Mr. PORTER.

Mr. SLAYDEN with Mr. McKINLEY.

Mr. PARK with Mr. ROSE.

Mr. RUSSELL with Mr. STRONG.

Mr. SCULLY with Mr. WARD.

Mr. PRICE with Mr. SWIFT.

Mr. DOREMUS with Mr. ZIHLMAN.

Mr. SEARS with Mr. BIRCH.



Mr. ROGERS. Mr. Speaker, my colleague, Mr. PAIGE, has been called to Massachusetts and is unavoidably absent. He is in favor of the conference report and, if present, would vote "aye."

Mr. MILLER of Minnesota. Mr. Speaker, I desire to vote "aye."

The SPEAKER. Was the gentleman in the Hall listening?

Mr. MILLER of Minnesota. I was not in the Hall; I thought this was a call of the House.

The SPEAKER. It is not a call of the House.

Mr. MILLER of Minnesota. I was out of the Chamber when my name was called.

The SPEAKER. The gentleman can not vote except to answer "present."

The name of Mr. MILLER of Minnesota was called, and he answered "Present."

Mr. SNELL. Mr. Speaker, Messrs. GOULD, ROWE, and SNYDER were called away this afternoon on important business. If they were here, they would vote "aye" on this proposition.

Mr. KELLEY of Michigan. Mr. Speaker, I was not in the room at the time my name was called. If I had been here, I would have voted "aye."

The result of the vote was announced as above recorded.

On motion of Mr. KITCHIN, a motion to reconsider the vote by which the conference report was agreed to was laid on the table.

#### LEAVE OF ABSENCE.

Mr. ALMON, by unanimous consent, was granted leave of absence for to-day on account of illness.

#### ADJOURNMENT.

Mr. KITCHIN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 39 minutes p. m.) the House, under its previous order, adjourned to meet at 3 p. m. Sunday, February 9, 1919.

#### EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Secretary of the Treasury, transmitting copy of a communication from the Attorney General submitting supplemental and deficiency estimates of appropriations required by the Department of Justice for the fiscal years 1920, 1919, 1918 (H. Doc. No. 1775); to the Committee on Appropriations and ordered to be printed.

2. A letter from the Secretary of the Treasury submitting an estimate of appropriation to enable the Secretary of the Treasury to provide water supply for Cape Charles Quarantine Station (H. Doc. No. 1776); to the Committee on Appropriations and ordered to be printed.

3. A letter from the Secretary of the Treasury, transmitting copy of a communication from the president of the Civil Service Commission submitting a supplemental estimate of appropriation required by the commission for additional cost of envelopes for the fiscal year 1919 (H. Doc. No. 1777); to the Committee on Appropriations and ordered to be printed.

4. A letter from the Secretary of the Treasury, transmitting copy of a communication from the Secretary of the Interior submitting a supplemental estimate of appropriation for the completion of the Alaska Railroad (H. Doc. No. 1778); to the Committee on Appropriations and ordered to be printed.

#### REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the several calendars therein named, as follows:

Mr. CARAWAY, from the Committee on the Judiciary, to which was referred the bill (S. 2654) providing for the appointment of two additional district judges in the northern district of the State of Illinois, reported the same without amendment, accompanied by a report (No. 1046), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

Mr. SLAYDEN, from the Committee on the Library, to which was referred the joint resolution (S. J. Res. 195) providing for the filling of a proximate vacancy in the Board of Regents of the Smithsonian Institution of the class other than Members of Congress, reported the same without amendment, accompanied by a report (No. 1044), which said bill and report were referred to the House Calendar.

#### REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, private bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the Committee of the Whole House, as follows:

Mr. RAKER, from the Committee on the Public Lands, to which was referred the bill (H. R. 13630) for the relief of the estate of Christian Hoffman, reported the same with amendment, accompanied by a report (No. 1043), which said bill and report were referred to the Private Calendar.

Mr. STEPHENS of Mississippi, from the Committee on Claims, to which was referred the bill (H. R. 12753) for the relief of Eugene F. Sanguinette, reported the same without amendment, accompanied by a report (No. 1045), which said bill and report were referred to the Private Calendar.

#### CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, the Committee on Claims was discharged from the consideration of the bill (H. R. 12790) for the relief of the heirs of R. F. Graves, jr., and the same was referred to the Committee on War Claims.

#### PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. DOUGHTON: A bill (H. R. 15782) providing for the erection of a public building at Lenoir, N. C.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 15783) providing for the purchase of a site and erection thereon of a public building at Albemarle, N. C.; to the Committee on Public Buildings and Grounds.

By Mr. EMERSON: A bill (H. R. 15784) to determine the qualifications for citizenship of alien slackers exempted from, and aliens who served in, the military or naval service of the United States under the selective-service act of May 18, 1917; to the Committee on Immigration and Naturalization.

By Mr. FULLER of Illinois: A bill (H. R. 15785) authorizing the Secretary of War to donate to the village of Somonauk, Ill., one German cannon or fieldpiece; to the Committee on Military Affairs.

By Mr. EMERSON: A bill (H. R. 15786) to give preference to soldiers, sailors, marines, and citizens for employment within the United States of America; to the Committee on the Judiciary.

By Mr. KELLY of Pennsylvania: A bill (H. R. 15787) providing for a United States civil-service board of adjustments to constitute a court of appeals for employees in the classified civil service of the United States; to the Committee on Reform in the Civil Service.

By Mr. HAMILTON of New York: A bill (H. R. 15788) to provide for the purchase of a site for a public building in the village of Wellsville, N. Y.; to the Committee on Public Buildings and Grounds.

By Mr. JOHN W. RAINEY: A bill (H. R. 15789) to amend an act entitled, "An act to regulate and improve the civil service of the United States," approved January 16, 1883; to the Committee on Reform in the Civil Service.

By Mr. RAMSEY: A bill (H. R. 15790) authorizing the Secretary of War to donate to the town of Belvidere, N. J., one German cannon or fieldpiece; to the Committee on Military Affairs.

Also, a bill (H. R. 15791) authorizing the Secretary of War to donate to the borough of Washington, N. J., one German cannon or fieldpiece; to the Committee on Military Affairs.

By Mr. BACHARACH: A bill (H. R. 15792) authorizing the Secretary of War to donate to the city of Maple Shade, N. J., one German cannon or fieldpiece; to the Committee on Military Affairs.

By Mr. HICKS: A bill (H. R. 15793) authorizing the Secretary of War to donate to the village of Westbury, in the State of New York, one German cannon or fieldpiece; to the Committee on Military Affairs.

By Mr. SINNOTT: A bill (H. R. 15794) to add certain lands to the Ochoco National Forest, Oreg.; to the Committee on the Public Lands.

By Mr. REED: A bill (H. R. 15795) authorizing the Secretary of the Treasury in his discretion to sell the present public building and site in the city of Clarksburg, W. Va., and purchase a new site and erect thereon a new public building in said city; to the Committee on Public Buildings and Grounds.

By Mr. LEVER: A bill (H. R. 15796) to enable the President to carry out the price guaranty made to producers of wheat

of the crops of 1918 and 1919 and to protect the United States against undue enhancement of its liabilities thereunder; to the Committee on Agriculture.

By Mr. BURNETT: A bill (H. R. 15797) for the purchase of a site and the erection of a public building at Fort Payne, Ala.; to the Committee on Public Buildings and Grounds.

By Mr. MARTIN: A bill (H. R. 15798) to provide for the erection of a public building at Morgan City, La.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 15799) to provide for the erection of a public building at Houma, La.; to the Committee on Public Buildings and Grounds.

By Mr. KETTNER: A bill (H. R. 15800) authorizing the Secretary of War to donate to the town of Upland, Cal., one German cannon or fieldpiece; to the Committee on Military Affairs.

By Mr. GOULD: A bill (H. R. 15801) to amend an act entitled "An act to authorize the establishment of a Bureau of War Risk Insurance in the Treasury Department," approved September 2, 1914, and amended October 6, 1917, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. SLOAN: A bill (H. R. 15802) to repeal the daylight-saving law; to the Committee on Interstate and Foreign Commerce.

Also, a bill (H. R. 15803) to loan certain cannon to Diller, Friend, Milford, and York, Nebr.; to the Committee on Military Affairs.

By Mr. STEENERSON: A bill (H. R. 15804) authorizing the Secretary of War to donate to the village of Donaldson, Kittson County, in the State of Minnesota, one German cannon or fieldpiece; to the Committee on Military Affairs.

By Mr. BANKHEAD: A bill (H. R. 15811) providing for a site and public building for post office and other Federal purposes at Russellville, Ala.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 15812) to provide for the purchase of a site and the erection of a building thereon at Fayette, in the State of Alabama; to the Committee on Public Buildings and Grounds.

By Mr. KEHOE: A bill (H. R. 15813) for the erection of a public post-office building at De Funiak Springs, Fla.; to the Committee on Public Buildings and Grounds.

By Mr. CARAWAY: A bill (H. R. 15814) granting the consent of Congress to road district No. 1, Lee County, Ark., to construct a bridge across the St. Francis River at or near the present location of the Missouri Pacific Railroad Co.'s bridge; to the Committee on Interstate and Foreign Commerce.

By Mr. BURNETT: Resolution (H. Res. 558) providing additional compensation to W. H. Miller, janitor and messenger to the Official Reporters of Debates; to the Committee on Accounts.

By Mr. GOULD: Resolution (H. Res. 559) calling upon the President for information regarding the \$50,000,000 appropriation for national security and defense; to the Committee on Appropriations.

Also, resolution (H. Res. 560) calling upon the President of the United States for certain facts as to the building and operation program of wooden ships; to the Committee on the Merchant Marine and Fisheries.

Also, resolution (H. Res. 561) calling upon the President for certain information regarding food price fixing; to the Committee on Agriculture.

Also, resolution (H. Res. 562) calling upon the President for certain information in accordance with section 12 of the shipping act approved September 7, 1916; to the Committee on the Merchant Marine and Fisheries.

By Mr. SABATH: Joint resolution (H. J. Res. 408) establishing diplomatic relations with Czechoslovakia and Poland; to the Committee on Foreign Affairs.

By Mr. HAWLEY: Memorial from the Legislature of the State of Oregon, favoring six months' pay for discharged soldiers, sailors, and marines; to the Committee on Military Affairs.

By Mr. CAREW: Memorial from the Legislature of the State of New York, urging Congress to enact laws guaranteeing soldiers, sailors, and marines pay for some sufficient time after their discharge; to the Committee on Military Affairs.

By Mr. ADOLPHUS P. NELSON: Memorial from the Legislature of the State of Wisconsin, memorializing the Congress of the United States to cooperate with the Dominion of Canada in the enlarged canalization of the St. Lawrence River for the passage of ocean-going vessels into the Great Lakes; to the Committee on Rivers and Harbors.

Also, memorial from the Legislature of the State of Wisconsin, relating to the tobacco industry and requesting the Federal Trade Commission to report on such industry; to the Committee on Agriculture.

#### PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. KEATING: A bill (H. R. 15805) granting an increase of pension to Andrew A. Ebert; to the Committee on Invalid Pensions.

Also, a bill (H. R. 15806) granting an increase of pension to David M. Gray; to the Committee on Pensions.

Also, a bill (H. R. 15807) granting a pension to William H. Harris; to the Committee on Pensions.

By Mr. LUNN: A bill (H. R. 15808) for the relief of Patrick J. Purcell; to the Committee on Claims.

By Mr. SLOAN: A bill (H. R. 15809) granting an increase of pension to Jerome B. Brooks; to the Committee on Invalid Pensions.

Also, a bill (H. R. 15810) granting an increase of pension to John W. Grewell; to the Committee on Invalid Pensions.

#### PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. BURROUGHS: Petition of 45 residents of Newton, N. H., for the repeal of the postal zone rate bill; to the Committee on Ways and Means.

Also, petition of 35 residents of Derry, N. H., for the repeal of the postal zone rate bill; to the Committee on Ways and Means.

Also, petition of 108 residents of the State of New Hampshire, for the repeal of the postal zone rate bill; to the Committee on Ways and Means.

Also, petition of 132 residents of Keene, N. H., for the repeal of the postal zone rate bill; to the Committee on Ways and Means.

Also, petition of 70 residents of the State of New Hampshire, for the repeal of the postal zone rate bill; to the Committee on Ways and Means.

Also, concurrent resolution passed by both branches of the New Hampshire Legislature, that the Congress of the United States make immediate appropriations whereby adequate measures of suppression of an insect pest known as the European borer may be undertaken without delay by the proper Federal authorities; to the Committee on Agriculture.

By Mr. CAREW: Petition of mass meeting of Friends of Irish Freedom at Our Lady of Good Counsel Hall, New York, expressing sympathy with Irish people and urging the Government of the United States to aid Ireland at the peace conference; to the Committee on Foreign Affairs.

Also, petition of Roger Casement Branch, Friends of Irish Freedom, St. Monica Hall, New York, relating to self-determination of Ireland; to the Committee on Foreign Affairs.

Also, petition of the Western Fruit Jobbers' Association of America, asking Congress to enact necessary legislation releasing all means of transportation from Government control to individuals or corporations under charters from Government of United States; to the Committee on Interstate and Foreign Commerce.

Also, petition of New York Produce Exchange in relation to price fixing and Government control of foodstuffs; to the Committee on Agriculture.

By Mr. CARY: Petition of Workingmen's Sick and Death Benefit Society, No. 156, of Milwaukee County, Wis., urging Government control and ownership of railroads; to the Committee on Interstate and Foreign Commerce.

Also, petition of citizens of Milwaukee, Wis., urging repeal of postal zone-rate bill; to the Committee on Ways and Means.

Also, petition of Workingmen's Sick and Death Benefit Society, No. 156, urging recall of soldiers "over there" back to the United States of America as speedily as possible; to the Committee on Military Affairs.

By Mr. COOPER of Wisconsin: Petition of A. J. Smith and other residents of Racine County, Wis., urging passage of Senate bill 4937, providing Federal aid to States in the promotion of education; to the Committee on Education.

By Mr. COPLEY: Petition of sundry citizens of Dundee, Elgin, and Naperville, Ill., asking that the present postal-zone law be repealed; to the Committee on Ways and Means.

By Mr. DALE: Affidavit of Dr. Ernest H. Baily in support of the bill (H. R. 15678) granting an increase of pension to Jason Johnson; to the Committee on Invalid Pensions.

Also, petition of members of Hedding Methodist Episcopal Church, of Barre, Vt., favoring a league of nations; to the Committee on Foreign Affairs.

By Mr. DALLINGER: Petition of Board of Aldermen of Medford, Mass., asking that the Congress of the United States and



War Department pay to soldiers, sailors, and marines their military wages for six months after their discharge from service; to the Committee on Military Affairs.

Also, petition of New England Nurserymen's Association, protesting against quarantine order No. 37 as unwise, unnecessary, and harmful to nurserymen and purchasers; to the Committee on Agriculture.

By Mr. ESCH: Petition of the Merchants' Association of New York, relative to the restoration of railroads by the Government to their original owners; to the Committee on Interstate and Foreign Commerce.

By Mr. BENJAMIN L. FAIRCHILD: Petition of trustees of Merchants' Association of Yonkers Chamber of Commerce, Yonkers, N. Y., in re Federal control and operation of telephone and telegraph lines; to the Committee on Interstate and Foreign Commerce.

By Mr. FULLER of Illinois: Petition of J. W. Browning, superintendent of schools, and teachers of high school, Belvidere, Ill., for repeal of the postal-zone law; to the Committee on Ways and Means.

By Mr. HAMILTON of New York: Petition of sundry citizens of Olean, N. Y., favoring Government ownership of railroads; to the Committee on Interstate and Foreign Affairs.

By Mr. HOLLINGSWORTH: Memorial of Publishers' Advisory Board, New York, and 489 citizens of eighteenth congressional district of Ohio, asking for repeal of postal zone system; to the Committee on Ways and Means.

By Mr. LONERGAN: Petition of certain citizens of Hartford County, Conn., relating to the postal zone law; to the Committee on Ways and Means.

Also, petition of certain citizens of Hartford County, Conn., relating to luxury tax; to the Committee on Ways and Means.

By Mr. LUNDEEN: Petition of Minnesota State Horticultural Society, of Minneapolis, Minn., protesting against the enforcement of quarantine order No. 37, made by the Federal Horticulture Board; to the Committee on Agriculture.

Also, petition of Minnesota Independent Telephone Association, 922 McKnight Building, Minneapolis, Minn., asking for the return of all telephone properties not later than December 31, 1920; to the Committee on Interstate and Foreign Commerce.

Also, petition of Commercial Telegraphers' Union of America, Local No. 8, Minneapolis, Minn., protesting against the new rate of compensation for telegraph employees, which is a cut in wages instead of an increase; to the Committee on Labor.

Also, petition of Building Trades' Council of St. Paul, Minn., declaring in favor of Government ownership of railroads; to the Committee on Interstate and Foreign Commerce.

Also, petition of Federation of Labor No. 16045, Findlay, Ohio, requesting that all armed troops be withdrawn from Russian territory; to the Committee on Foreign Affairs.

Also, petition of Central Supply Co., Minneapolis, Minn., protesting against sections 1409 to 1416 of the 1919 revenue bill; to the Committee on Ways and Means.

By Mr. JOHN M. NELSON: Petition of citizens of the State of Wisconsin, urging Congress to enact into law the bill (H. R. 10550) providing for National ownership and Government operation of all railroads; to the Committee on Interstate and Foreign Commerce.

By Mr. POLK: Petition of Hilles & Jones Co., Wilmington, Del., favoring and commenting on House bill 15625, providing for further educational facilities by requiring the War Department to loan certain machine tools not in use for Government purposes to trade and technical schools and universities, and for other purposes; to the Committee on Education.

By Mr. RAKER: Petition of Estelle V. Krautz, David Atkins, Mrs. L. S. Capp, and Mrs. Dagmar Netendorff, all of San Francisco, Cal., requesting repeal of postal zone system; to the Committee on Ways and Means.

Also, petition of sundry citizens of San Francisco, Cal., protesting against postal zone rates; to the Committee on Ways and Means.

By Mr. REED: Petition of the Chamber of Commerce of Clarksburg, W. Va., and other citizens of said city, urging Congress to make an appropriation of \$500,000 for securing a site and erecting a public building thereon adequate for the needs of the post office, United States court, and other governmental offices in said city; to the Committee on Public Buildings and Grounds.

By Mr. RUCKER: Petition of Brotherhood of Railway Car-men of America, Lodge No. 64, Moberly, Mo., in reference to Government ownership of railroads; to the Committee on Interstate and Foreign Commerce.

By Mr. SABATH: Petition of sundry citizens of the State of Illinois, urging Congress to enact into law House bill 10550; to the Committee on Interstate and Foreign Commerce.

By Mr. SMITH of Idaho: Petition of Pocatello Council, Knights of Columbus, urging enactment of House joint resolution 357, favoring independence of Ireland; to the Committee on Foreign Affairs.

Also, petition of Rotary Club, Boise, Idaho, urging enactment of legislation providing for removal of illiteracy and Americanization of foreigners; to the Committee on Education.

Also, petition of Interstate Realty Association, Portland, Oreg., urging the abandonment of the construction of houses for war workers and providing for their sale; to the Committee on Military Affairs.

By Mr. THOMAS F. SMITH: Petition of citizens of New York City, protesting against postal zone rates; to the Committee on Ways and Means.

Also, petition of citizens of New York City, urging adoption of the Gallagher resolution on the Irish question; to the Committee on Foreign Affairs.

By Mr. SNELL: Petition of Mary E. Crosby, Mary C. Attoe, Gladys Andrews, Pearl Geandrew, Muriel King, Emma Ackerman, all of Ogdensburg, N. Y., for repeal of the postal zone rate bill; to the Committee on Ways and Means.

Also, petition of Frank Burrell, of Hawkeye, and Mrs. Mabel Deman, Mrs. Eliza Barnett, H. E. Baker, Mrs. George A. Teller, Miss Lydia Baker, Mrs. H. M. Kelly, Mrs. Benjamin Dodge, all of Ausable Forks, and all in the State of New York, for repeal of the postal zone rate bill; to the Committee on Ways and Means.

By Mr. SNOOK: Petition of Van Wert Lodge, No. 667, of International Association of Machinists, favoring the passage of House bill 10550; to the Committee on Interstate and Foreign Commerce.

By Mr. SNYDER: Petition of 24 residents of Little Falls, N. Y., favoring Government ownership of railways; to the Committee on Interstate and Foreign Commerce.

By Mr. WASON: Concurrent resolution of the New Hampshire Legislature, requesting the New Hampshire delegation to Congress to use their influence with the Government, first, to pay our private soldiers and noncommissioned officers promptly; and, second, to give every private soldier, noncommissioned officer, and sailor at the time of his honorable discharge the sum of \$200; to the Committee on Military Affairs.

By Mr. WATSON of Pennsylvania: Petition of Washington Camp, No. 631, Patriotic Order Sons of America of Pennsylvania, favoring a law prohibiting all immigration for a period of not less than four years; to the Committee on Immigration and Naturalization.

## SENATE.

SUNDAY, February 9, 1919.

(Legislative day of Friday, February 7, 1919.)

The Senate reassembled at 2 o'clock and 45 minutes p. m., on the expiration of the recess.

### MEMORIAL ADDRESS ON THEODORE ROOSEVELT.

The VICE PRESIDENT. The Senate will proceed to the Hall of the House of Representatives to participate in the joint memorial services in honor of Theodore Roosevelt.

The Senate, preceded by the Sergeant at Arms and by the Vice President and the Secretary, proceeded to the Hall of the House of Representatives.

After the conclusion of the memorial services, the Senate returned to its Chamber, and the Vice President resumed the chair.

Mr. MARTIN of Virginia. I move that the Senate adjourn until 12 o'clock meridian to-morrow.

The motion was agreed to; and (at 4 o'clock and 50 minutes p. m.) the Senate adjourned until to-morrow, Monday, February 10, 1919, at 12 o'clock meridian.

## HOUSE OF REPRESENTATIVES.

SUNDAY, February 9, 1919.

The House met at 3 o'clock p. m.

### JOINT SESSION OF THE SENATE AND HOUSE.

The Doorkeeper, Mr. Joseph J. Sinnott, announced—  
The Vice President and the Senate.

The Chief of Staff and Major Generals of the Army, the Rear Admirals of the Navy, and the Adjutant and Inspector of the Marine Corps.

The members of the President's Cabinet.

The ex-President of the United States.

The honorable Chief Justice and Associate Justices of the Supreme Court of the United States.